



■ 2009 ANNUAL REPORT AND 2010-2012 SERVICE PLAN

WORK SAFE BC

WORKING TO MAKE A DIFFERENCE

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Strategic Foundations of WorkSafeBC	4
Operational Highlights	5
In Conversation with the Chair.....	6
In Conversation with the President	8
About WorkSafeBC	10
Financial Context.....	12
Governance.....	14
Accountability	17
Report of the Auditor General of British Columbia	20
Our Performance	
Measuring Our Performance	22
Performance Targets and Results at a Glance.....	26
Performance Targets and Results	27
Our Finances	
Management Discussion and Analysis.....	50
Financial Review.....	65
Appendices	
Appendix A: Linking Costs with Goals and Strategies	98
Appendix B: Comparing Results with Other Jurisdictions.....	100
Appendix C: Operating Environment.....	104
Endnotes	Inside back cover

Strategic Foundations of WorkSafeBC

WorkSafeBC (the Workers' Compensation Board of British Columbia) is an independent statutory agency governed by a Board of Directors appointed by the provincial government. It serves 2.3 million workers and more than 200,000 employers throughout B.C., and is funded through insurance premiums paid by registered employers and through investment returns. In administering the *Workers Compensation Act* (the Act), WorkSafeBC remains separate and distinct from government; however, WorkSafeBC is accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

Our mandate

To work with workers and employers as follows:

- To promote the prevention of workplace injury, illness, and disease
- To rehabilitate those who are injured, and assist with timely return to work
- To provide fair compensation to replace lost wages for injured workers during their recovery
- To ensure sound financial management for a viable workers' compensation system

Our vision

To keep workers and workplaces safe and secure from injury, illness, and disease

Our commitment

To make a difference, one human being at a time

Our mission

To add value for workers and employers by doing as follows:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship, now and in the future

Our guiding principles and premises

We, the officers and agents of WorkSafeBC, believe in the following principles:

- We must focus on our mandate, which includes prevention, rehabilitation, and compensation.
- We must promote healthy and safe workplaces through enforcement, consultation, and education.
- We can be most effective when we enlist the co-operation of workers and employers in preventing workplace injury, illness, disease, and death.
- Societal change is essential for creating a culture of health and safety in the workplace, and we play a principal role in effecting this change.

- When a worker is injured, our priority must be that worker's rehabilitation and return to work.
- We must be driven by a service orientation that is attained through the effective delivery of WorkSafeBC programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers' compensation system and be an asset to our stakeholders and to the province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the B.C. government.

To fulfill its mandate, WorkSafeBC is enabled by its organizational features:

- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered
- A full range of programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders
- Professional, compassionate, and highly trained people working together to deliver quality service
- Effective and efficient processes that ensure excellent quality and service and eliminate bureaucracy
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system

Our goals

(For more information, see page 25)

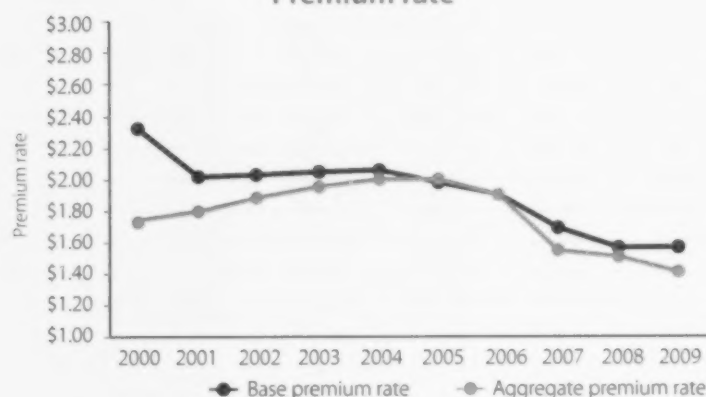
1. Foster the improvement of occupational health and safety in B.C. workplaces
2. Improve service to stakeholders
 - a) Improve satisfaction, accessibility, and public confidence in the organization
 - b) Improve adjudicative decision making throughout each division, ensuring consistency with the legislation and policy
3. Improve cost-effectiveness and accountability of the services we deliver
4. Maintain financial sustainability and stability

Operational Highlights

Injury rate



Premium rate



Allocation of 2009 expenses (2008)



Key financial comparatives (\$ millions)	2009 actual (fair value)	2008 actual (fair value)	2009 actual (smoothed)	2008 actual (smoothed)
Premium income	1,024	1,141	1,024	1,141
Investment income	148	245	610	591
Claim costs ^a	1,322	1,364	1,322	1,364
Operating costs — net ^b	167	167	167	167
Surplus (deficit) before non-recurring expenses	(317)	(145)	145	201
Non-recurring expenses ^c	—	487	—	487
Surplus (deficit) from operations	(317)	(632)	145	(286)
Unrealized investment gains (losses)	1,111	(1,463)	—	—
Total comprehensive income (loss)	794	(2,095)	145	(286)
Total assets	11,970	11,082	11,861	11,622
Total liabilities	9,688	9,594	9,688	9,594
Unappropriated balance	694	1,012	764	619
Reserves	1,409	1,409	1,409	1,409
Accumulated other comprehensive income (loss)	179	(933)	—	—
Market rate of return on investment	8.7%	(8.2%)	—	—
Accounting rate of return on investment	—	—	5.5%	5.5%

a Excludes non-recurring claim costs

b Net of claim administration payments: 2009 — \$238 million; 2008 — \$218 million

c Non-recurring expenses in 2008 relate to the change from 3.5 percent to 3.0 percent in net discount rate used to calculate benefit liabilities.

Q&A with the Chair and President



In Conversation with the Chair

Dr. Roslyn Kunin, Chair of WorkSafeBC's Board of Directors, talks about the challenges and opportunities of 2009 and beyond.

How is the economy affecting WorkSafeBC?

The economy was front and centre in 2008, and it continued to be an important story in 2009. While we saw encouraging signs that the British Columbia economy was stabilizing and recovering, we realized it could deteriorate again.

That's why we're watching economic conditions closely to ensure the financial sustainability of the Accident Fund,¹ so we can continue to provide injured workers with the support they need, without burdening future generations. This strategy seems to be working. At the end of 2009, our funded position (excess of assets over liabilities) was strong at 124 percent or \$2.28 billion.

We're also buffering employers from wild swings in assessment rates through our conservative investment strategy, capital adequacy policy, and smoothed approach to the pricing of

premiums (see Financial Context, page 12). In 2009, in light of the economic conditions and the challenges faced by B.C. employers, we decided to cap any required 2010 assessment rate increases at 8 percent rather than the previous standard 20 percent. Assessment rate reductions up to 20 percent are still available for employers who excel at workplace safety. The result was the average 2010 base rate was unchanged from 2009.

What other challenges does the economic shift pose to WorkSafeBC?

High-risk industry employers, particularly those in forestry and construction, have been harder hit by the economic downturn so generated fewer injuries, claim costs, and premiums than in past years. At the same time, employment in the service sector has grown, expanding the number of new workers in new jobs.

The economic shift has also changed work arrangements with more contractors and self-employed workers.

This poses unique challenges — for employers and for WorkSafeBC — in terms of ensuring workplace safety, managing claims, and assessing payroll. We need to make sure our services are accessible to organizations whose staff may not have expertise in these areas.

What are some of the issues affecting WorkSafeBC's approach to safety?

The ways in which we work continue to evolve, which presents a wide range of challenges.

With regard to occupational disease, we recognize that new risks emerge as workers use new work practices and technologies, and are exposed to new materials. Through our Research Secretariat, we're exploring what those risks might be.

In addition, the composition of the B.C. workforce is evolving, as the number of immigrant workers continues to increase.

WorkSafeBC needs to protect the safety of these workers and make sure they're covered by the system.

Our workforce is also aging. While older workers are less likely to get injured in the workplace, when they are injured, it takes them longer to recover. Our challenge is to engage older workers in a meaningful way to reinforce the health and safety message and remind them of workplace risks — even if it's work they've been doing for decades.

We have a different challenge with younger workers, who have a consistently higher injury rate. They need to understand their right to ask questions and speak out when there's a health and safety issue at stake.

Looking ahead, how will WorkSafeBC protect its stability in the long term?

The long-term sustainability of the Accident Fund is driven by WorkSafeBC's capital adequacy policy. By following these guidelines, we're building reserves — which we maintained this year — within the funding range required by private sector insurers in Canada.

A change of legislation in 2002 also enhanced our long-term stability. These changes established the Board of Directors with a mandate to act in the best interests of the workers' compensation system. This governance structure — which includes worker, employer, health care, and public interest representatives — is now well-established to ensure



Joan Kinsler-Karim (Chair of WorkSafeBC's Board of Directors)

WorkSafeBC pursues its vision and mandate with consistency and vigour.

We also know that WorkSafeBC's long-term success depends on whether British Columbians feel that it makes a meaningful contribution to their lives. If WorkSafeBC wants its safety message to make a difference, it has to be seen as a credible and valuable organization.

Why is public perception so important?

The public's confidence is necessary for us to develop strong partnerships with stakeholders in order to improve workplace health and safety and return-to-work outcomes. We need to continue to serve British Columbians with competence and compassion to maintain their support. If the general public doesn't trust or support WorkSafeBC, they won't be receptive to our health and safety message. But if the public understands our value, they not only get the message, they become our ally in making B.C. workplaces safer.

That's why, four times a year, we hire a research company to measure our value to the public (see key objective/performance indicator #7, page 37). The resulting index gauges how British Columbians view WorkSafeBC's public contribution. In 2009, WorkSafeBC's average public contribution rating was 86 percent positive — a record high, exceeding our target of 83 percent.

Do you have any final thoughts?

As we look ahead to the challenges of the coming year, I'd like to thank all of the workplace partners — including WorkSafeBC's dedicated staff, the workers and employers of B.C., and the Board of Directors — for their hard work and contributions in preventing workplace injury, illness, and disease. Together we can change societal attitudes and create a culture where there is no tolerance for workplace injuries.



David Anderson, President and Chief Executive Officer, WorkSafeBC

In Conversation with the President

David Anderson discusses WorkSafeBC's performance in 2009 and its impact on workplace health and safety in British Columbia.

How did the economic climate in 2009 affect WorkSafeBC?

The decline in economic activity affected our operations in three ways: our premium income was reduced, injury claim volumes were lower, and the duration of injured workers' disability claims increased.

We expected that reduced economic activity in some sectors would lead to fewer injuries, because fewer people were working. Furthermore, the industries that were hardest hit by the slowdown — construction, manufacturing, and primary resources — have some of the highest injury rates. However, some sectors were relatively stronger, such as retail trade and services — and these areas tend to have lower injury rates. So overall, we saw fewer people injured and, as a result, lower compensation volumes and claim costs in 2009.

Unfortunately, a slower economy also made it more difficult for injured workers to return to work, and for employers to accommodate them in ways that would allow them to return to work sooner. These outcomes affect claim duration, the number of workers requiring vocational rehabilitation, and average claim costs.

That said, from a financial perspective, 2009 saw financial markets rebound from the 2008 meltdown and produce a total

comprehensive income in 2009 of \$794 million. Our Accident Fund, which ensures the security of worker payments and pension awards into the future, has one of the largest funded positions of all Canadian workers' compensation boards. While market fluctuations can create variations in the value of the Fund, its long-term strength protects workers' financial security, and allows WorkSafeBC to maintain stable and competitive premium rates for British Columbia's employers. (For more information, see Financial Context, page 12, and Management Discussion and Analysis, page 50.)

What other factors affected WorkSafeBC in 2009?

The introduction of a new claims management system had a significant impact on the whole organization and involved a huge commitment on behalf of our staff. Subject-matter experts, technical staff, trainers, and many others devoted four years to the project. The system was all-encompassing, replacing five main computer systems and dozens of other systems and processes — some of which were more than 20 years old. The infrastructure needed to be replaced. Changes of this magnitude are always challenging — and we believe this was the biggest change ever introduced to a workers' compensation system in Canada.

We expected our service and productivity levels to fall during the initial part of the transition to the new system, and they did. This affected our responsiveness to injured workers and the timeliness of payments to our suppliers and providers. This difficult transition frustrated our staff, who is dedicated to delivering excellent service.

Many newly injured workers received their first payments later than expected, and suppliers and providers found their usual pattern of referrals interrupted and their payments delayed as we adapted to the new system.

We were grateful during this period for the patience and co-operation of our customers, suppliers, and providers — some of who had yet to see the benefits that will flow from the new system.

Is the transition to the new system complete?

While the system is fully operational, the transition, produced some unanticipated challenges, which placed greater demand on our staff than we expected.

Overall, the problems were even more complex than anticipated, so we found a number of ways to mitigate the impact on service — such as sending out emergency payments to those in need. I'm extremely proud of the way our staff handled the unexpected. They showed extraordinary patience and commitment to serving our clients and adapting to the new system.

Is service back to normal?

We're getting there. By the end of 2009, most operations were providing services at the same level as that provided before the introduction of the new system, and in some areas we've seen improvements over historic levels. However, some service areas are still not up to our expectations, and we continue to focus upon improving.

What did WorkSafeBC learn in 2009?

In addition to the lessons we're learning from the new claims management system, we learned a great deal more. In 2009, WorkSafeBC participated in two coroners' inquests looking into the deaths of B.C. workers. These inquests highlighted the vulnerability of farm workers, as well as injured workers challenged by mental health issues.

Our participation in these inquests gave us the opportunity to share our expertise and the results of our investigations, and to learn what we can do to better protect workers in the future.

We also became more focused upon the needs of clients with complex claims — workers whose lives have been forever changed by serious injury. In 2009, to better address their needs, we expanded the Special Care Services team to include additional psychologists, social workers, a manager of mental health services, as well as a psychiatrist (a specialist in rehabilitation). As well, we're improving the specialized training provided to staff to support clients facing the long-term physical and psychological changes associated with these injuries. This work has given us further insight into the importance of providing compassionate service to our most vulnerable clients, particularly those experiencing mental health issues.

What lies ahead for WorkSafeBC in 2010?

We now begin to refine and take advantage of the advanced capabilities of our new claims management system. We believe this will allow us to improve return-to-work planning and outcomes and improve upon past service levels for both workers and employers.

We'll also take advantage of a new system for measuring the serious injury rate (see key objective/performance indicator #1, page 27), a measure that gives us detailed data on the types of accidents that result in serious injuries and fatalities. We'll share this information with our partners and stakeholders to develop ways to reduce these incidents through consultation and education. Where necessary, we'll also step up enforcement of the regulations designed to prevent these serious injuries.

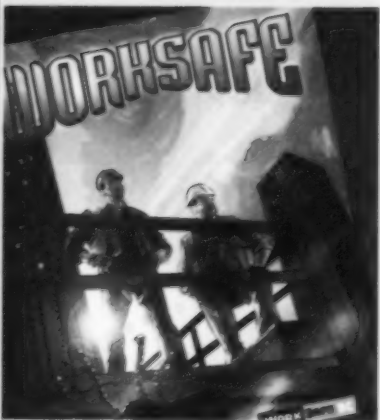
Together, with all workplace participants, we've been successful in bringing down the overall injury and fatality rates — which reached historically low levels in 2009. But our work isn't done. Our efforts have yet to reach every worker and employer.

We will continue to focus on improving service to all injured workers and employers in British Columbia, including expanded outreach, through enhanced language and translation services.

We will also continue to focus on protecting the financial health and sustainability of WorkSafeBC for present and future generations of workers and employers.

By being a leader in injury and disease prevention, and by sharing what we learn with others, WorkSafeBC is making a difference.

About WorkSafeBC



WorkSafeBC is dedicated to the reduction and eventual elimination of work-related injury, illness, disease, and death in B.C. workplaces. But when workers do get sick, injured, or killed on the job, WorkSafeBC is committed to easing the physical, financial, and psychological burden on these workers and their families.

WorkSafeBC has legislated responsibility for establishing and enforcing occupational health and safety standards; compensating and rehabilitating injured, ill, and disabled workers, or providing benefits to their dependants; and, assessing and collecting employer premiums to support and administer the workers' compensation system. To meet these responsibilities, WorkSafeBC focuses on the following areas of business.

Preventing workplace injury and illness

WorkSafeBC's vision is to keep workers and workplaces safe and secure from injury, illness, and disease. In support of this goal, WorkSafeBC establishes standards and guidelines for occupational health and safety practices; educates and consults with workplace stakeholders; raises public awareness; and builds partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. In addition, WorkSafeBC has the legislative authority to monitor compliance with occupational health and safety law and regulation; investigate serious incidents; and, in certain cases, levy financial penalties or other sanctions against employers for safety infractions.

Compensating and rehabilitating injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions on compensation benefits and administers health care and wage-loss benefits, permanent disability benefits, and survivor benefits. WorkSafeBC also works with external partners to rehabilitate injured workers and return them to safe, lasting employment.

Maintaining the financial sustainability of the system

WorkSafeBC assesses and collects employer premiums and invests those funds to cover the current and future costs of compensation benefits and the costs of administering the workers' compensation system. WorkSafeBC is committed to sound financial management and has programs and strategies in place to minimize costs, maximize investment returns, and maintain the long-term financial sustainability of the system.

Providing impartial reviews

To maintain accountability and provide quality control, WorkSafeBC provides impartial reviews of its decisions related to compensation, assessment, and prevention. During the review process, an initial decision may be overturned if it's found to be incorrect or if new evidence comes to light.

Protecting workers and employers since 1917

In some jurisdictions, workers can sue their employers for damages if they suffer work-related injuries. That's not the case in British Columbia — thanks to what's known as the historic compromise, under which workers relinquished their right to sue their employers or fellow workers for injuries, illnesses, and diseases sustained in the workplace. In exchange, employers agreed to fund a no-fault insurance system. The historic compromise remains the basis of workers' compensation in B.C. today.

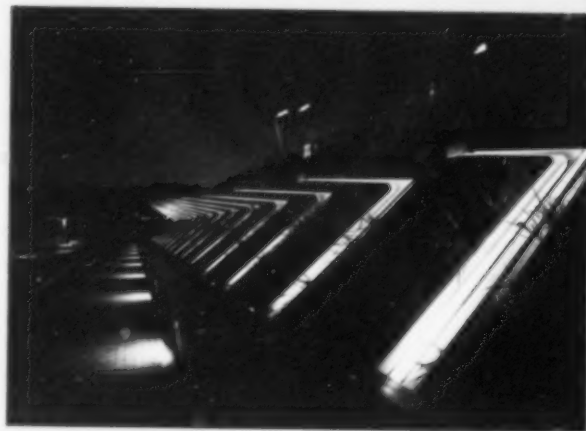
The historic compromise

Each class surrenders to the State certain rights...
The employer in submitting to the levy...upon his industry receives the benefit of protection from expensive litigation.

The workman in return, though he loses the precarious right to sue in tort for damages, receives...a stipulated amount based upon his economic position in the community.

Both, as well as the State as a whole, benefit from the elimination of the friction and loss which necessarily attends all litigation.

— B.C. Sessional Papers, Volume II, 1914:M13



Line of Work, the outdoor sculpture pictured above, is a tribute to workplace safety and the B.C. workers who built this province. It may be viewed on the west side of the Vancouver Convention Centre.

Financial Context

The financial information contained in this annual report and service plan conforms to the audited consolidated financial statements (see page 66), except for the additional financial information, as noted, that's based on the smoothed investment accounting approach.

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's consolidated financial statements reflect the market value of investments at the end of the reporting year (fair value investment accounting). This provides a snapshot or point-in-time reading of financial assets, which means that short-term financial market fluctuations are reflected in the financial results.

However, since WorkSafeBC's investments are intended to yield returns over the long term, any short-term losses should not necessarily signal the need to increase premium rates or reduce worker benefits. Similarly, short-term gains in asset value do not necessarily mean that funds are available to lower employer premium rates or increase worker benefits.

To avoid rate fluctuations generated by financial market volatility, WorkSafeBC continues to set premium rates using smoothed investment accounting, which is based on a standard of practice established for all workers' compensation organizations in Canada by an independent study conducted in the early 1990s. Smoothed investment accounting amortizes realized and unrealized investment gains and losses over a five-year period, moderating the effect of market volatility on financial results. This approach takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants).

Comparing fair value to smoothed operating results (\$ millions)	Financial reporting		Funding policy	
	2009 fair value	2008 fair value	2009 smoothed	2008 smoothed
Operating surplus (deficit)	(317)	(632)	145	(286)
Other comprehensive income (loss)	1,111	(1,463)	—	—
Total comprehensive income (loss)	794	(2,095)	145	(286)
Portfolio investments	11,315	10,400	11,206	10,940
Other assets	655	682	655	682
Total assets	11,970	11,082	11,861	11,622
Total liabilities	9,688	9,594	9,688	9,594
Fund balance				
Unappropriated balance	694	1,012	764	619
Reserves	1,409	1,409	1,409	1,409
Accumulated other comprehensive income (loss)	179	(933)	—	—
Total liabilities and fund balance	11,970	11,082	11,861	11,622

Prudent investment promotes sustainability

To ensure long-term financial sustainability of the workers' compensation system, the *Workers Compensation Act* stipulates that present and future injury costs arising in a given year should be collected through assessments on employers whose accounts are active in that year. WorkSafeBC also seeks to promote sustainability of the workers' compensation system through prudent investment of the Accident Fund. The primary determinant of the Accident Fund's risk and expected return is the asset mix of its investment portfolio which is determined by WorkSafeBC's Board of Directors under the advisement of an Investment Committee, which includes three independent external investment experts, in addition to WorkSafeBC's President and Chief Executive Officer, Chief Financial Officer, and Chair of the Audit Committee. The minimum long-term objective of the Investment Committee is to earn a real rate of return (the rate of return over inflation) of 3.5 percent, slightly higher than the 3.0 percent discount rate used to determine the Fund's actuarial liability.

The Board of Directors regularly reviews and updates a statement of investment policies and goals for the investment portfolio. Among other things, this statement sets out a risk budget that guides the investment strategies. Currently, 33 percent of the Accident Fund's investment portfolio is targeted to fixed-income investments, such as bonds and mortgages (with a permissible range of 20 to 60 percent). Another 39 percent is allocated to Canadian and international public and private equities (with a permissible range of 20 to 60 percent). The final 28 percent is allocated to inflation-sensitive investments, such as inflation-linked bonds, real estate, and infrastructure assets (with a permissible range of 15 to 40 percent).

Funding policy offers protection

In 2007, WorkSafeBC's Board of Directors approved the creation of a Capital Adequacy Reserve to address the organization's long-term capital requirements. This reserve offers greater security for worker benefits and reduces premium rate volatility by strengthening the organization's ability to withstand economic and demographic uncertainties (see Note 2(E) of the consolidated financial statements, page 73).

WorkSafeBC assesses its financial strength using two main indicators. The primary indicator is the ratio of total assets to a specific target asset level as defined in key objective/performance indicator #8 (see page 39). This indicator, unique to WorkSafeBC, tracks the organization's ability to withstand the impact of large financial shocks, such as the economic downturn that occurred in 2008. Over the course of 2009, this indicator rose from 88 percent to 92 percent of the target asset level. The long-term goal is to build this indicator to 100 percent; however, the indicator's current level continues to demonstrate the organization's ability to withstand significant financial impacts. The second indicator is to determine the funding level, or the ratio of assets to liabilities. This indicator of short-term financial strength is used by other workers' compensation boards in Canada (see Appendix B, page 100). WorkSafeBC's funding level was 124 percent at the end of 2009.

The impact of accounting changes on financial statements

In 2011, WorkSafeBC's financial reporting may become more complex because of the movement in Canadian accounting to adopt International Financial Reporting Standards (IFRS).

WorkSafeBC expects one proposed change to these standards — fair market value reporting for liabilities cited in financial statements — to have a significant impact on its financial reporting. However, it is expected this change will be in effect in 2012, at the earliest, because the International Accounting Standards Board is still reviewing the revision to the accounting standard for insurance contracts. For the implementation of IFRS in 2011, WorkSafeBC has considered a number of accounting policy options that could affect the organization's consolidated financial statements; has established a plan for the most appropriate option; and, is collecting comparative information in 2010.

WorkSafeBC has joined other workers' compensation organizations throughout the country, under the auspices of the Association of Workers' Compensation Boards of Canada (our CEO is currently its president), to develop a coordinated approach to analysis, planning, and implementation in order to meet the IFRS challenge. WorkSafeBC is also participating in a working group with other B.C. public sector organizations for information sharing on IFRS. See page 64 for a progress assessment of WorkSafeBC's IFRS implementation.

Governance

WorkSafeBC Board of Directors



Roslyn Kunin

Chair
BA, MA, PhD
Appointed May 2008 (Director since 2003)
Principal of Roslyn Kunin and Associates, Inc.; director of the B.C. office of the Canada West Foundation; member of the Order of Canada



Henry Harder

Health care & rehabilitation representative
BEd, MA, EdD
Appointed April 2008
Registered psychologist; professor and chair of health sciences at the University of Northern British Columbia



Phillip Legg

Worker representative
BA
Appointed January 2009
Director of policy and communications for the Federation of Post-Secondary Educators of B.C.; board member of the Community Savings Credit Union

Joe Lindgren

Employer representative
BA
Appointed January 2009
Small business owner; president of Lincor Enterprises Ltd.; trustee of the Construction Industry's Benefit Plan; director of the Vancouver Resource Society

George Morfitt

Public interest representative
BCom, FCA
Appointed December 2006
Adjunct professor at the University of Victoria's School of Public Administration; former auditor general of British Columbia



Duties

According to the *Workers Compensation Act*, the Board of Directors must:

- Set and revise, as necessary, the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with the requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws regarding the manner in

which the policies of the Board of Directors are to be published

- On or before March 31 of each year, provide the Minister of Labour with a service plan that addresses the three-year period starting on January 1 of that year and does the following:
 - Sets out WorkSafeBC's priorities
 - Identifies specific objectives and performance measures for WorkSafeBC
 - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
 - Compares actual results of the previous year with the expected results identified in the previous year's service plan
 - Presents other information that WorkSafeBC considers appropriate

Rick Roger

Public interest representative
BA, MSHA
Appointed January 2009

Former CEO of the Vancouver Island Health Authority and the Vancouver/Richmond Health Board



Robert Smith

Actuary
BSc, MSc, MBA
Appointed May 2007

Extensive experience in the insurance, finance, pension, and investment fields, both as a senior executive and board member; former CEO of Seaboard Life Insurance Company



Note: WorkSafeBC President and Chief Executive Officer David Anderson is a non-voting member of the Board of Directors

Priorities

- Prevent injury, illness, and disease in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships to promote prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessment
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

Major accomplishments

In 2009, some of the major accomplishments of the Board of Directors of WorkSafeBC included:

- Maintaining a strong financial position and limiting premium rate increases for 2010, despite a turbulent economy
- Completing a detailed asset and liability study of the Accident Fund and revising its investment policy and asset allocation to ensure the long-term viability of the Fund
- Revising the mental stress policy to ensure that consideration for compensation is given when a worker suffers an emotionally shocking event, even if the worker's reaction to that event is delayed
- Improving the equity of variable earnings calculations to compensate workers with variable rates of pay
- Enhancing the ability of WorkSafeBC to share and communicate research results that will improve safety in the workplace
- Funding four Innovation at Work projects that target practical, shop-floor solutions to improve workplace safety throughout the province, as well as 10 Research at Work projects to enhance knowledge and understanding about safety issues in B.C.

- Releasing for public consultation a series of occupational health and safety regulatory enhancements to achieve greater safety for workers in a number of areas, including personal protective equipment, confined spaces, swing stages, rigging, mobile equipment, electrical safety, and laboratories

Committees

The Board of Directors met eight times in 2009 and held one governance and planning session. Current Board committees are as follows:

- Audit Committee — met eight times in 2009
- Human Resources and Compensation Committee — met four times in 2009
- Priorities and Governance Committee — met six times in 2009

Decisions

The Board of Directors makes decisions on policy and regulation that affect the workers and employers of British Columbia. The Board's decisions can affect the premium rates employers pay, as well as the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts the Board of Directors' decisions, along with its formal resolutions, at www.worksafebc.com/regulation_and_policy/policy_decision/board_decisions/default.asp.

For more information about WorkSafeBC's Board of Directors, including the Board's standards of conduct, visit WorkSafeBC.com.

Accountability

The 2009 Annual Report and 2010–2012 Service Plan was prepared under our direction in accordance with the Workers Compensation Act. We are accountable for the results achieved, for the selection of performance indicators, and for how our performance has been reported.

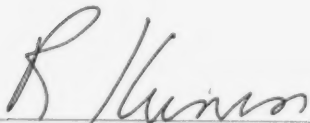
The information contained within reflects the actual performance of WorkSafeBC for the 12 months beginning January 1, 2009, and ending December 31, 2009. All material fiscal assumptions and policy decisions up to March 18, 2010, have been considered in the development of this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the 2008 Annual Report and 2009–2011 Service Plan, and includes estimates and significant interpretive information that represent the best judgment of WorkSafeBC management. The indicators reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance.

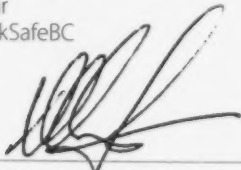
We are responsible for ensuring that WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained within.

This report and service plan has been prepared in accordance with the B.C. Reporting Principles and is intended for a general audience. More detailed information about WorkSafeBC is available on our web site at WorkSafeBC.com.

On behalf of the Board of Directors and management of WorkSafeBC:

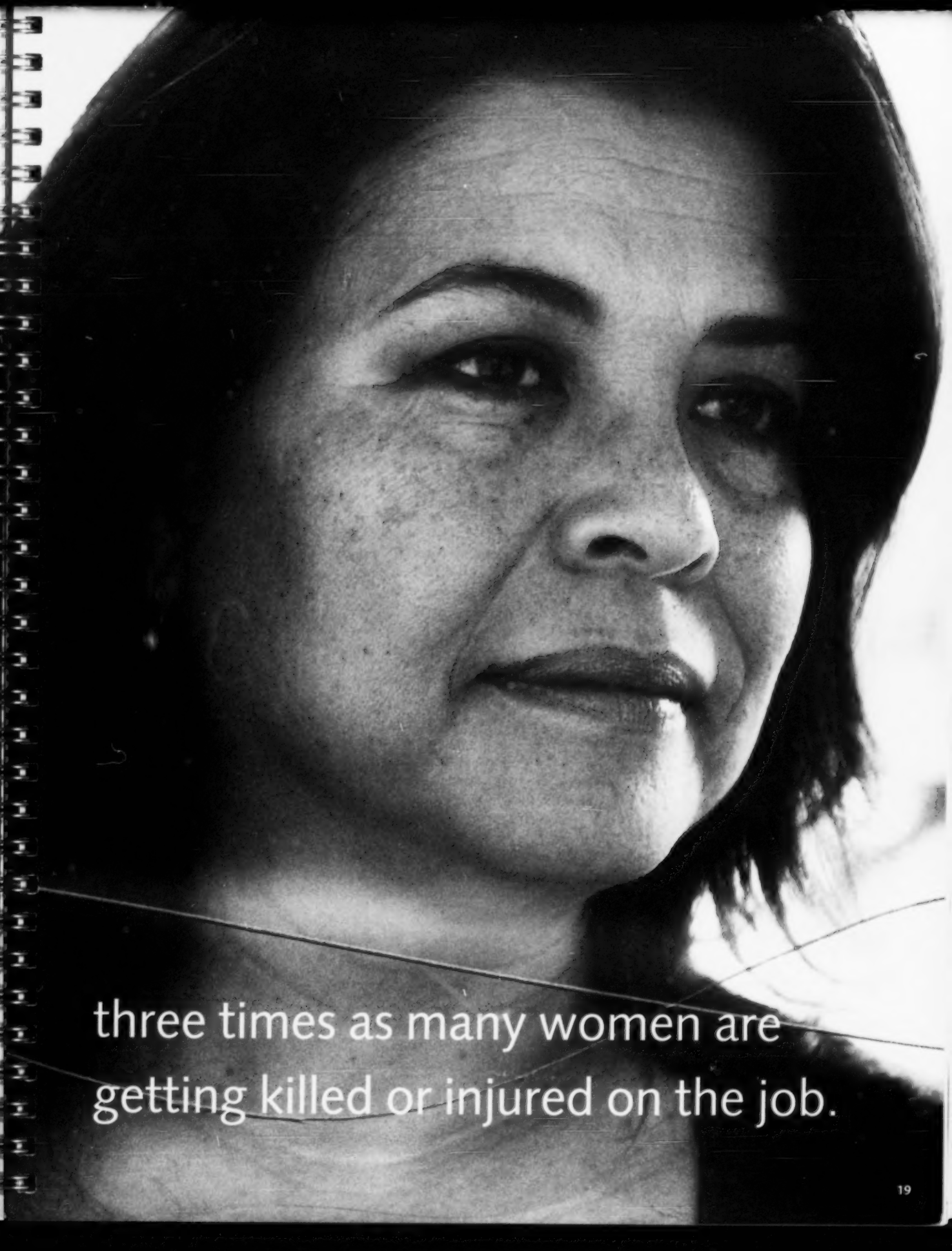


Roslyn Kunin, CM, ICD.D
Chair
WorkSafeBC



David Anderson, MBA, C.Dir.
President and Chief Executive Officer
WorkSafeBC

SINCE
THE '70s...



three times as many women are
getting killed or injured on the job.



Report of the Auditor General of British Columbia

***To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Labour, Province of British Columbia***

I have audited the *2009 Annual Report and 2010-2012 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the British Columbia Reporting Principles for the year ended December 31, 2009. The eight British Columbia Reporting Principles outline the characteristics of good performance reporting, and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance that the British Columbia Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether it has been prepared in accordance with the British Columbia Reporting Principles. A separate audit, to determine if WorkSafeBC's financial statements have been prepared and reported in accordance with Canadian generally accepted accounting principles, was also conducted. My opinion is provided on page 67.

As called for by the British Columbia Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the British Columbia Reporting Principles and that they are consistent with the audited performance information and financial statements.

In my opinion, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2009, in accordance with the British Columbia Reporting Principles. The following appendix contains details supporting my conclusion for each of the British Columbia Reporting Principles, and is an integral part of my opinion.

Victoria, British Columbia
March 18, 2010

John Doyle, MBA, CA
Auditor General

Appendix to the Report of the Auditor General of British Columbia on the 2009 Annual Report of the Workers' Compensation Board of British Columbia (WorkSafeBC)

Detailed observations

Principle 1 – Explain the Public Purpose Served

The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2 – Link Goals and Results

The report explains the chain of events from mission to goals, objectives, and strategies through to key objective/performance indicators. The relevance of these indicators is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3 – Focus on the Few, Critical Aspects of Performance

The report states why goals, objectives, and the 11 key objective/performance indicators are important to WorkSafeBC and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and readily apparent.

Principle 4 – Relate Results to Risk and Capacity

The report summarizes key risks and capacity issues in relation to each key objective/performance indicator, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure, and technology risks and capacity are discussed separately.

Principle 5 – Link Resources, Strategies and Results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual costs are provided for key revenue and expense items, and 10-year trend information is provided for revenues and expenses. Critical measures of efficiency are identified — administrative efficiency is the focus of one key objective/performance indicator and operational financial performance is the focus of another.

Principle 6 – Provide Comparative Information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

Principle 7 – Present Credible Information, Fairly Interpreted

We are providing a high level of assurance that the data supporting the 11 key objective/performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although we do not provide assurance on the effectiveness of the control environment.

The report is reasonably concise and specialized terminology has been largely avoided. We note however that key objective/performance indicator #8: Achieve 100 percent of the target asset level is inherently complicated and may be difficult for some report readers to understand.

Principle 8 – Disclose the Basis for Key Reporting Judgments

The report provides explanations for how key objective/performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and Chief Executive Officer have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

Our Performance

Measuring Our Performance

To measure its performance, WorkSafeBC uses a set of objectives and associated key performance indicators that allow the organization to track and benchmark its progress over time. These objectives and performance indicators guide the organization in all of its planning and decision making and, through the annual reporting process, enable WorkSafeBC to remain open and accountable to the people of British Columbia.

WorkSafeBC uses a number of objectives and performance indicators, 11 of which the Board of Directors and Senior Executive Committee have identified as key contributors to the fulfillment of WorkSafeBC's strategic goals (see page 4).

In choosing which performance indicators to highlight, the Board of Directors and Senior Executive Committee considered a number of key factors:

- Relevance of the indicators to WorkSafeBC's strategic goals
- Validity of the indicators (i.e., do they measure what they are intended to measure?)
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Ability of the indicators to provide reliable comparisons over time

The 11 key objective/performance indicators reflect WorkSafeBC's commitment to reporting its performance in terms of a balanced scorecard — an analysis of the organization's ability to

incorporate both financial and non-financial factors toward fulfilling its mandate, vision, and mission. By looking beyond solely financial indicators of success, WorkSafeBC gains a more comprehensive picture of its overall performance and uses that information to enhance its business operations.

WorkSafeBC monitors and assesses each performance indicator (along with additional indicators used at the corporate and divisional levels) throughout the year to track its progress toward targeted goals. The organization updates most indicators on a monthly or quarterly basis,² which allows WorkSafeBC to adjust to changes quickly and, when necessary, make corrective policy, program, or operational changes to get back on target.³

Changes from the previous year

Ten of the 11 key objective/performance indicators selected for this year's annual report and service plan have been used since 2003,⁴ although some definitions and methods of calculation have changed over time. Any substantive changes in the methods used for calculating these key objective/performance indicators are noted in the year in which they were made. WorkSafeBC's Board of Directors may change or discontinue key objective/performance indicators or introduce new ones at any time.

If an indicator changes after the annual report and service plan has been submitted to the Minister of Labour, the change is reported in the following year's report. WorkSafeBC also reports the results of indicators that have been discontinued from the previous year, and, whenever possible, the historical results. This provides readers with a context to interpret and compare the target's results from year to year.

Setting annual targets

In setting annual targets for each key objective/performance indicator, WorkSafeBC considers several factors, including its historical performance, desired levels of service, operational requirements, and resources available for reaching short- and long-term goals. WorkSafeBC also considers environmental and external factors that may affect performance, as well as the potential to mitigate or control those factors through various programs and initiatives (see Appendix C, page 104).

In setting its annual targets, WorkSafeBC strives for continuous improvement. In some cases, however, the targets it sets for future years may be the same or less favourable than the levels achieved in the previous year. This situation can occur when the factors that contributed to past performance are no longer expected to continue. For example, the organization may have achieved favourable results because of a temporary improvement in economic conditions, a new short-term initiative, or a one-time allocation of resources. Targets may also be less favourable than past performance when certain expenditures or activities are expected to affect the outcome. For example, an investment in new technology could increase WorkSafeBC's administrative costs for a period of time. This type of temporary cost increase would be factored into future targets, where appropriate.

The section that follows lists each key objective/performance indicator, the factors that contributed to the performance outcome, and WorkSafeBC's annual targets through 2012.

WorkSafeBC's targets are consistent with the meaning and use described in the Performance Reporting Principles for the British Columbia Public Sector. In that context, a target is a forecast of a performance indicator's value in a given year of the service plan. These targets are not intended to limit the organization's potential to strive for service improvement, or to dictate how decision makers should adjudicate individual claims.

Ensuring data reliability

WorkSafeBC stands behind the integrity and reliability of all key objective/performance results contained in this annual report. In an ongoing effort to improve its performance reporting, WorkSafeBC has submitted its annual report to a voluntary annual audit by the Office of the Auditor General of B.C. for the past seven years. This audit is intended in part to validate the systems and processes the organization uses to collect performance data, verifying the accuracy of its results and identifying areas for improvement. For more information on the Office of the Auditor General's findings, refer to pages 20 and 21.

WorkSafeBC will endeavour to expand on the quality, consistency, comparability, and completeness of the data contained in its annual report through ongoing auditing and quality-control initiatives. The Board of Directors and Senior Executive Committee will continue to evaluate the performance indicators and refine them as necessary to ensure each indicator accurately reflects WorkSafeBC's progress in working toward its strategic goals.

Comparing results over time

Each performance indicator cited in this report includes a comparison to past results. While WorkSafeBC's criteria for measuring its performance generally remain the same from year to year, the overall operating environment must be considered to properly interpret the results over time. A change in the mix of economic activity¹ — an increase in construction activity, for example — can influence the outcome of several performance indicators.

Similarly, changes in the proportion of occupational disease claims could affect the indicator for the timeliness of payments, since claims for disease are complex and generally take more time to adjudicate. Changes in the economy can also influence some indicators more than others. When demand for labour is strong, for instance, claim duration may diminish while successful return-to-work outcomes increase.

Comparing results with other jurisdictions

In Canada, all workers' compensation organizations collect data to measure their performance and administer their systems; however, due to differing legal requirements, policies, goals, governing structures, and operating procedures, each jurisdiction typically uses different means to collect and report

its data. To help overcome this challenge, the Association of Workers' Compensation Boards of Canada has developed a series of standardized indicators. For more information, see Appendix B, page 100.

Each key objective/performance indicator reports the significant factors that have changed from past years, or are expected to change by 2012.

The impact of CMS on performance indicators

In 2009, WorkSafeBC implemented Claims Management Solutions (CMS), a comprehensive new claim handling system. It replaced five major claim management systems, and replaced and enhanced dozens of smaller ones. Not surprisingly, the transition had an impact on several performance indicators.

For example, during the transition, WorkSafeBC suspended the handling of claims for approximately a week, as old systems were retired and the new one was brought online. Following the transition, WorkSafeBC staff was required to address a number of implementation challenges for the remainder of 2009 and into 2010. All of these factors affected the timeliness of first payments (see key objective/performance indicator #4, page 33), and contributed to a deterioration in the average claim duration (see key objective/performance indicator #2, page 30), which was also significantly impacted by the economic downturn.

As work on CMS continues, WorkSafeBC expects improvements over the 2009 results, and has adjusted its 2010 through 2012 targets accordingly.

For an overview of CMS, including a discussion on the effects the implementation had on operations, see the Claims Management Solutions discussion, page 107.

Linking priorities and performance

Priorities	<ul style="list-style-type: none">• Prevent injury and illness in the workplace• Return workers to employability	<ul style="list-style-type: none">• Serve employers, workers, and workers' dependants• Develop partnerships in prevention and durable return to work	<ul style="list-style-type: none">• Enhance decision making in prevention, compensation, and assessments• Improve the cost-effectiveness of the services we deliver	<ul style="list-style-type: none">• Maintain financial stability and sustainability• Educate, engage, and communicate with our stakeholders	
Goals ^a	Goal 1: Foster the improvement of occupational health and safety in workplaces	Goal 2a: Improve service to stakeholders — improve satisfaction, accessibility, and public confidence	Goal 2b: Improve service to stakeholders — improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy	Goal 3: Improve cost-effectiveness and accountability of the services we deliver	Goal 4: Maintain financial sustainability and stability
Objectives	<ul style="list-style-type: none">• Reduce the provincial injury rate	<ul style="list-style-type: none">• Reduce the average short-term claim duration¹• Improve return-to-work outcomes for workers in vocational rehabilitation• Improve timeliness of initial short-term disability payments• Improve injured workers' rating of overall experience• Improve employers' rating of overall experience• Raise public confidence	<ul style="list-style-type: none">• Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy	<ul style="list-style-type: none">• Control administration costs	<ul style="list-style-type: none">• Achieve 100 percent of the target asset level• Attain an aggregate premium rate between \$1.25 and \$2.25 (per \$100 of assessable payroll)
Indicators	<ul style="list-style-type: none">• Injury rate (number of claims first accepted per 100 person-years of employment) (performance indicator #1, see page 27)	<ul style="list-style-type: none">• The average number of days lost from work and subsequent wage-loss benefits paid by WorkSafeBC per short-term disability claim (performance indicator #2, see page 30)• Successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year (performance indicator #3, see page 31)• The number of days it takes WorkSafeBC to get first wage-loss payments to short-term disability claimants from the date of their disablement (performance indicator #4, see page 33)• Survey results: injured workers' rating of overall experience (performance indicator #5, see page 34)• Survey results: employers' rating of overall experience (performance indicator #6, see page 35)• Survey results: public contribution index (performance indicator #7, see page 37)	<ul style="list-style-type: none">• The proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels) (performance indicator #11, see page 45)	<ul style="list-style-type: none">• Annual administration costs per \$100 of assessable payroll collected from employers (performance indicator #10, see page 43)	<ul style="list-style-type: none">• Percentage of the target asset level achieved (performance indicator #8, see page 39)• Aggregate premium rate (performance indicator #9, see page 42)

a Workers' Compensation in 2010 and Beyond: Strategic Plan (WorkSafeBC, September 21, 2004), www.worksafebc.com/publications/reports/annual_reports/assets/pdf/strategic_plan_2010/strat_plan_2010.pdf

b WorkSafeBC's objectives emanate from the organization's underlying goals for improvement. By meeting the objectives listed in this column, such as reducing the average short-term claim duration, WorkSafeBC can achieve its key goal of improving satisfaction, accessibility, and public confidence.

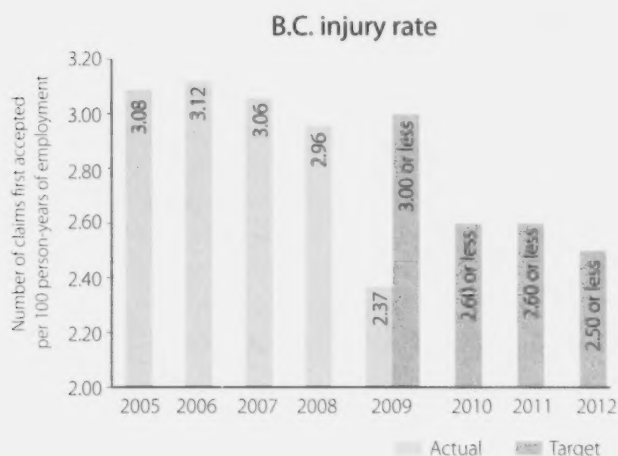
Performance targets and results at a glance

Key objective/performance indicator	2009 target	2009 result	2010 target	2011 target	2012 target
1. Reduce the provincial injury rate ⁶ (the number of claims first accepted by WorkSafeBC per 100 person-years of employment)*	3.00 or less	2.37	2.60 or less	2.60 or less	2.50 or less
2. Reduce the average short-term claim duration	48.5 days	54.6 days	53.0 days or less	50.0 days or less	46.0 days or less
3. Improve return-to-work outcomes for workers in vocational rehabilitation	75.0% or more	71.8%	75.0% or more	75.0% or more	75.0% or more
4. Improve timeliness of initial short-term disability payments	17.5 days	26.6 days	22.0 days	17.0 days	17.0 days
5. Improve injured workers' rating of overall experience	74% good or very good	65% good or very good	72% good or very good	75% good or very good	75% good or very good
6. Improve employers' rating of overall experience	80% good or very good	78% good or very good	78% good or very good	80% good or very good	80% good or very good
7. Raise public confidence*	83%	86%	84%	85%	85%
8. Achieve 100 percent of the target asset level*	88%	92%	90%	90%	90%
9. Attain an aggregate premium rate between \$1.25 and \$2.25 (per \$100 of assessable payroll)*	\$1.52	\$1.40	\$1.41	\$1.48	\$1.52
10. Control administration costs (per \$100 of assessable payroll)	\$0.34	\$0.36	\$0.36	\$0.36	\$0.36
11. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of issues leading to overturned decisions at the review and/or appeal level due to WorkSafeBC error in law or policy)*	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 1.3% Appeal level: 2.0%	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 2.0% or less Appeal level: 2.5% or less	Review level: 2.0% or less Appeal level: 2.5% or less

* The 2010 target is less favourable than the result achieved in 2009. For more information, refer to the key objective/performance indicators on the following pages.

Performance Targets and Results

Key objective/performance indicator #1: Reduce the provincial injury rate⁶



Importance

WorkSafeBC's number one priority is preventing work-related injury, illness, disease, and death. The organization gauges its progress by measuring the provincial injury rate — the number of claims first accepted by WorkSafeBC per 100 person-years of employment.⁶ The lower the rate, the lower the human cost paid through work-related injuries and deaths.⁷

Setting targets

Fluctuations in the provincial injury rate are influenced by a number of factors, including changes in economic activity, industry practices, and the risk of injury in each sector. The provincial injury rate is a composite figure, based on the injuries experienced in all sectors. To set targets, WorkSafeBC examines the current injury rate in each sector and estimates the impact that programs, initiatives, and changes within a sector will have on the injury rate in the coming year. The weighted average of these sectoral injury rates is the provincial injury rate target. While WorkSafeBC has used the same criteria to measure the injury rate target from year to year, changes in economic activity can influence the results over time.⁸

The following table shows the estimated change in the 2009 injury rate for each sector, compared with the final injury rate for 2008.

Injury rate by sector

Sector	Injury rate for 2008	Estimated change in 2009 ⁹
Primary Resources	3.5	Lower
Manufacturing	4.6	Lower
Construction	6.0	Lower
Transportation and Warehousing	6.1	Lower
Trade	2.8	Lower
Public Sector	4.4	No change
Service Sector	1.9	Lower

This data also serves as a basis for WorkSafeBC to calculate its future targets.

In 2009, the introduction of the new claims management system added greater detail to how individual claims are coded, classified, and considered. Therefore, time-loss injury claims — the basis for calculating the provincial injury rate — are more consistently managed, and more complete information is collected. WorkSafeBC believes this will provide better data for setting targets.

Performance highlights

The provincial injury rate decreased from 2.96 in 2008 to 2.37 in 2009.¹⁰ This is a very positive result and reflects the 16 percent decline in the claims first reported to WorkSafeBC. Not only were fewer workers injured, the frequency of injuries was lower. Overall, workplaces in the province were safer in 2009 than in any previous year. WorkSafeBC believes workers, employers, and other stakeholders can share in the knowledge that their prevention efforts — along with those of WorkSafeBC — have contributed to this outcome.

However, these efforts do not fully explain the more than 0.5 (20 percent overall) improvement in this measure. WorkSafeBC believes other factors contributed to the decline in the provincial injury rate. The recessionary economic conditions continued for much of 2009, and likely account for part of the lower injury rate. In past recessions and recoveries, changes of greater than 0.5 have also occurred. Specifically, 1981–1982 saw a 0.7 drop, from 7.2 to 6.5, during a recessionary cycle; whereas 1976–1977 saw a 0.6 increase when the rate moved

from 5.7 to 6.3 injuries per 100 person years of employment. More recently, declines of approximately 0.4 have been observed (as seen in 1994–1995), while changes of 0.1 to 0.3 year-over-year are more typical.

Some of the decline in the overall provincial injury rate can also be attributed to safety improvements in sectors with the highest risks. WorkSafeBC injury-reduction strategies have focused prevention resources on these sectors. Primary resources, manufacturing, construction, and transportation sectors all experienced lower injury rates. These sectors were also among the hardest hit by the recession. As a result, the number of injuries and employment levels were lower in 2009.

The injury rate is based on all time-loss injuries to workers whose employers are required to pay assessments to WorkSafeBC. The implementation of the new claims management system in May 2009 applied a higher standard of consistency to the process of accepting claims. Following implementation, the ratio of health-care-only claims to time-loss claims decreased and the number of very short duration claims (1–3 days) declined. This shift may be a consequence of the improved case handling inherent in the new system. WorkSafeBC believes the greater consistency and improved methods associated with the introduction of CMS will contribute to greater precision in injury rate reporting in future years.

While improvement in the provincial injury rate is encouraging, the rate of serious injury has not declined as quickly as other injuries. From 2001 through 2008, the serious injury component of the provincial injury rate constituted 32 percent of the province's time-loss claims. However, in 2009 serious injuries rose to 35 percent. This means that while fewer workers are getting hurt, a greater proportion of those who do get hurt are suffering serious injuries.

Although a small component of the provincial injury rate, work-related fatalities continue to concern all workplace participants and WorkSafeBC. The year 2009 saw a 16 percent decrease in the number of WorkSafeBC claims and a 24 percent decrease over 2008 in the number of fatalities in B.C. Even one workplace death is too many and sadly, there were 121 fatalities in 2009. Nearly 50 percent of those fatalities were related to occupational disease, many of which resulted from workers' exposure to asbestos 20 to 50 years ago. While the decrease in the number of fatalities is a highlight of 2009, fatalities related to occupational disease continued to rise. In 2009, WorkSafeBC supported research and outreach activities to improve awareness, prevention, and detection of exposures that cause occupational disease.

Major programs and strategies

To achieve its mandate, WorkSafeBC uses the following three-pronged approach:

Enforcement — WorkSafeBC is mandated to ensure employers comply with the *Workers Compensation Act* and the Occupational Health and Safety Regulation and related policy, and does so by conducting workplace inspections and applying written orders, penalties, and warning letters. The organization helps business owners, employers, workers, supervisors, and workers understand and meet their legislated responsibilities — making workplaces safer for everyone. In 2009, WorkSafeBC increased its workplace inspections by 9 percent and issued 7 percent more corrective orders.

Consultation and education — WorkSafeBC works with employers, workers, labour unions, and other stakeholders to improve workplace health and safety in B.C. It does this by providing top-quality information products and safety expertise to workplaces, both in person and online.

Incentives — WorkSafeBC provides financial incentives for workplace health and safety, return-to-work programs, and demonstrated improvements to safety performance. These incentives include discounts on premiums through WorkSafeBC's experience rating program and the Partners in Injury and Disability Prevention program (see below).

In 2009, through its Prevention Injury Reduction Strategy, WorkSafeBC focused on the following activities:

High-risk strategy

This strategy identifies high-risk sectors and subsectors;¹¹ WorkSafeBC reallocates resources to industries that need them most, based on their safety performance. During 2009, WorkSafeBC focused its resources on seven high-risk industries.

Partnerships with safety associations

In 2009, WorkSafeBC funded 13 industry health and safety associations through employer premiums. WorkSafeBC also partnered with 13 safety-focused organizations on various small and large initiatives. Proposals for four new health and safety associations are currently under development.

Partners in Injury and Disability Prevention

This program recognizes the benefits of and supports safety management systems. It provides premium rebates to employers who pass an external audit and certification of their safety management program. Ten certifying partners —

primarily safety associations — administer the program for their industries. To date, approximately 2,500 companies have received their Certificate of Recognition (COR).

Small Business Unit

More than 90 percent of the employers registered with WorkSafeBC are small employers (i.e., have fewer than 20 workers). These employers, who exist in all sectors of the economy, are less likely to have specialized information and training in occupational health and safety, and are often unaware of the requirements of the Occupational Health and Safety Regulation. WorkSafeBC's Small Business Unit addresses their needs by providing online and printed health and safety materials explicitly for small employers and their specific industries. The Small Business Unit also gives occupational health and safety presentations at annual meetings of the industry associations, conferences, and trade shows.

Focus on Safety

Under this program, WorkSafeBC health and safety officers work to build a sustainable safety culture and improve safety records in companies that have a disproportionately negative influence on the provincial injury rate. In 2009, WorkSafeBC continued to develop working relationships with senior managers and executives interested in improving health and safety in their workplaces, thereby reducing the human and financial costs of workplace injuries.

Outreach programs

WorkSafeBC's outreach programs are designed to foster safety across a wide variety of B.C. workplaces. In 2009, WorkSafeBC participated in community and industry forums, and more than 132 trade shows and conferences. WorkSafeBC also worked with several health and safety associations and organizations to develop industry-specific safety programs. These initiatives included working with the BC Forest Safety Council to develop a qualified supervisor certificate program, and sponsoring the Safest Catch outreach program in partnership with Transport Canada and Fish Safe.

WorkSafeBC is recognized as a leader in developing health and safety materials, with many of them produced in several languages. In 2009, the organization produced 10 new videos and six new publications. WorkSafeBC's materials are gaining recognition locally and internationally. For example, the U.S.-syndicated *The Dr. Oz Show* featured WorkSafeBC's animated asbestos video, and other WorkSafeBC materials are being used as far away as Israel and the United Arab Emirates.

Looking ahead

In 2009, the provincial injury rate dropped to 2.37, a record low in B.C. This has become the new baseline measure for B.C.

Since the injury rate is a composite measure based on the injuries occurring in all sectors, it will be a challenge to improve the injury rate in future years. However, WorkSafeBC is optimistic that this can be achieved in the long term by maintaining a consistent approach to injury prevention and working to improve problem areas. That said, short-term economic conditions and the mix of industry might put upward pressure on this rate. Therefore, the target for 2010 and 2011 has been set at 2.60, dropping to 2.50 in 2012. Despite being higher than the 2009 result, these are ambitious targets. It will take significant effort on the part of all workplace participants and WorkSafeBC to retain growth in the injury rate to these levels.

Given the current economic climate, employers will be looking for ways to cut costs. As well, the composition of the workforce will likely change, new health and safety issues may emerge, and non-traditional employer/worker relationships will continue to evolve — all of which create challenges to improving workplace safety. WorkSafeBC will continue to develop initiatives to meet the needs of B.C.'s changing social and economic climate, working closely with employers, labour unions, workers, and others to ensure B.C. workplaces are as safe and healthy as possible.

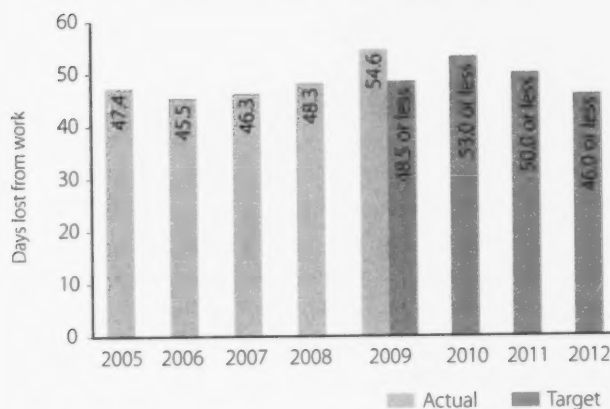
WorkSafeBC will also continue to focus on reducing injury rates, in particular, serious injuries within sectors that incur a higher-than-average number of injuries. By targeting these groups, WorkSafeBC can provide the greatest benefit to the greatest number of workers. Under this initiative, WorkSafeBC allocates injury prevention resources to seven of the highest-risk industry sectors: construction, fishing, forestry, health care, manufacturing, oil and gas, and transportation. WorkSafeBC will continue to tailor prevention strategies to the unique needs of each of these sectors throughout 2010. In addition, WorkSafeBC will allocate resources to monitor and respond to emerging prevention issues.

WorkSafeBC will continue to focus on providing resources to help new and young workers and on preventing occupational disease. The organization will also continue to work with key business and labour partners to increase each sector's ownership and responsibility in reducing workplace injury, illness, and disease. To ensure WorkSafeBC's safety message reaches B.C.'s diverse workforce, the organization will provide safety information to workers in their first language, where possible.

WorkSafeBC will continue to support prevention, education, and awareness initiatives in 2010, through its multi-year, targeted communication strategy. The goal is to create an injury-averse culture and put occupational health and safety concerns at the top of the minds of all working British Columbians.

Key objective/performance indicator #2: Reduce the average short-term claim duration

Average short-term claim duration*



* The 2005, 2006, and 2008 data have been restated — the variance did not exceed 0.2 days. In addition, in 2009, WorkSafeBC made the decision to exclude claims with zero or negative days paid, which resulted in a minor increase over previous data.

Importance

The average short-term claim duration is the average number of days lost from work as a result of work-related injury, illness, and disease.¹² When an injury occurs, WorkSafeBC's claim management team aims to provide workers with timely clinical and other support services. Experience shows that workers benefit most from returning to work as soon as safely possible. In fact, the evidence shows that the longer workers stay away from their jobs, the more difficult it is for them to return.

Setting targets

The duration of a short-term claim depends on a number of factors, such as the nature of the injury, the age and gender of the injured worker, and the worker's transferable skills. Other external factors can also influence the time required to process and complete a claim, including the timeliness of treatment and adjudication of the claim, the availability of return-to-work opportunities, the general mix of claims accepted by

WorkSafeBC at any given time, and the volume of claims from specific industry sectors.

WorkSafeBC establishes its targets for claim duration based on a number of factors. One factor is the degree to which it expects to manage a similar mix of claims over time. Another factor is projections for changes to its systems, resources, and practices for expediting care and improving efficiency of claim adjudication. In setting its targets, WorkSafeBC also considers the overall economic climate and the ability of employers and workers to engage in return-to-work initiatives, workplace modification, and job accommodation programs.

Performance highlights

In 2009, the average short-term claim duration was 54.6 days, an increase from the 2008 result. The 2009 indicator was higher than the target for several reasons.

From 2007 to 2009, the duration of claims tended to be longer, in part because some WorkSafeBC staff members were redirected to the new claims management system, which was launched in May 2009. The 2009 economic decline also affected duration. While safe return to work continued to be a priority, economic factors resulted in fewer modified return-to-work options, which also contributed to longer claim duration. The increase in duration in 2009 is similar to increases seen in earlier recessionary periods.

CMS is now fully operational and continues to be improved; WorkSafeBC employees who were involved in implementing the new system are now being redeployed to service roles. The organization therefore anticipates decreases in the average short-term duration of claims over the next year.

Major programs and strategies

When an injury occurs, WorkSafeBC supports the worker and his or her family toward a safe return to work following the worker's medical recovery. In 2009, WorkSafeBC continued to use the following strategies to assist and support injured workers in their return to work:

Dual stream — This service model allows for early intervention by initiating return-to-work planning within days of accepting a claim. It includes exploring return-to-work options with the worker, employer, and physician.

Wage rate unit — This new specialized department was designed to start the wage-rate-setting process at the same time as the adjudication process. As a result, if and when WorkSafeBC accepts a claim, the wage rate is already estab-

lished, which reduces the amount of time required by claim management to proceed with return-to-work efforts.

Nurse advisor assistance — Nurse advisors assist with return-to-work planning by supporting injured workers during the first eight weeks of their claims. In recent years, WorkSafeBC has expanded its team of nurse advisors to better meet the needs of injured workers.

Staff development — WorkSafeBC implemented professional development programs to help employees enhance their skills, which in turn increased their ability and capacity to handle a high volume of claims. Adjudication staff and case managers benefited in particular from these programs.

Clinical programs — A series of programs were customized to meet the individual needs of workers in a timelier fashion, thereby reducing wait times in processing claims.

Industry segmentation — WorkSafeBC staff's effort to identify and respond to the unique needs of individual industries has allowed them to gain greater knowledge about the industries they serve. As a result, staff members are better equipped to work with worker and employer partners to overcome return-to-work barriers in individual industries.

Resources for serious injuries — Claims that meet the serious injury rate criteria tend to require longer periods of recovery. WorkSafeBC will continue to allocate additional resources to identify the sources and causes of these injuries in order to reduce both their frequency and their impact on workers — including the duration of the disabilities.

Looking ahead

Historically, WorkSafeBC's target projections for the duration of claims have been based on certain assumptions — relatively stable economic growth, a full complement of staff, and improvements to technology and business processes, among other factors. However, in 2009, these factors proved to be more dynamic than originally expected. The economy was far from stable; and while we had a full complement of staff early in the year, many had to be diverted from their normal duties to work with the claims management system and its related challenges (see Appendix C, page 104). In response to these issues, WorkSafeBC has adjusted its targets to more modest levels than those indicated in the *2008 Annual Report and 2009–2011 Service Plan*.

WorkSafeBC expects to process a stable volume of claims in the next few years. During this time — as the new claims

management system continues to evolve — the organization expects to see short-term claim duration stabilize, and then decrease to 53 days or less in 2010, 50 days or less in 2011, and 46 days or less in subsequent years.

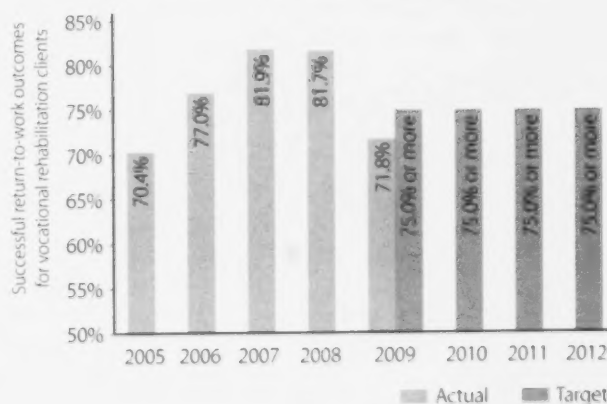
In certain regions of B.C., the economic downturn may also continue to affect claim duration levels by potentially reducing the number of modified-duty work opportunities. To mitigate this risk, WorkSafeBC is focusing its prevention activities on reducing the root causes of work-related injury, illness, and disease.

In 2010, WorkSafeBC will continue to operate an early-intervention model, which allows WorkSafeBC nurse advisors and, if required, vocational rehabilitation consultants, to support injured workers earlier in the claim process. The work of these specialists is expected to reduce claim duration through hands-on implementation of return-to-work programs and disability-management systems. As well, the early-intervention model, implemented in 2005, improves return-to-work outcomes and further reduces average short-term claim duration. However, the success of this approach remains closely linked with the availability of return-to-work options in B.C.'s workplaces.

To counter the effect of future employment losses, WorkSafeBC will strive to strengthen its partnerships with individual employers and industry associations in order to build an increased capacity for successful return-to-work opportunities.

Key objective/performance indicator #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Successful return-to-work outcomes



Importance

The main goal of vocational rehabilitation is to ensure workers return to work as quickly, safely, and successfully as possible. Many workers with catastrophic, severe, and complex injuries are unable to return to work without assistance. Historically, about five percent of all injured workers who have wage-loss claims — approximately 3,000 workers a year — are referred to WorkSafeBC's vocational rehabilitation program for assistance with their return to work.

The program eases workers' transition back to work by offering them counselling, vocational assessment, knowledge and skill development, and job placement. To measure the effectiveness of its efforts, WorkSafeBC tracks and records the number of successful outcomes for returning workers as a percentage of all return-to-work referrals completed annually by Vocational Rehabilitation Services.

Setting targets

WorkSafeBC strives to return all injured workers to lasting employment as soon as safely possible. However, workers referred to the vocational rehabilitation program have often suffered the kind of complex injuries that preclude a successful return to work, so the program is unlikely to achieve a 100 percent success rate. Some studies suggest it might be more reasonable to expect two-thirds to three-quarters of all referred workers to successfully regain employment. WorkSafeBC's current return-to-work targets reflect management's best-expected outcomes, based on an assessment of its current programs, strategies, and projected employment opportunities (assuming a relatively similar mix of claim referrals from year to year).

Performance highlights

In 2009, WorkSafeBC achieved a return-to-work success rate of 71.8 percent. Although the results are lower than those attained in 2008, these figures remained high. Vocational rehabilitation consultants helped 1,275 workers return to suitable employment, about 40 percent of whom returned to work with new employers or became self-employed.

Successful return-to-work results are contingent on the availability of meaningful work. The year 2008 was exceptional, given the abundance of employment opportunities, with unemployment rates ranging as low as 4.1 to 5.0 percent. This growth in the workforce enabled WorkSafeBC to exceed its targets for three consecutive years. However, in 2009 the return-to-work target was not met because the economic landscape changed,

with unemployment rates increasing to a high of 8.3 percent. Now that the economy shows renewed signs of recovery, WorkSafeBC intends to maintain performance targets of 75 percent or more, as indicated in its previous annual reports.

Major programs and strategies

WorkSafeBC works closely with injured workers, physicians, employers, unions, and others to create return-to-work programs customized to meet workers' unique needs. Programs and services may include vocational counselling, return-to-work planning, worker-employer mediation, work assessment, worksite/job modification, job search and placement assistance, and help with training and education. WorkSafeBC's vocational rehabilitation staff also works with the most severely injured workers to assist them in returning to work.

Whenever possible, WorkSafeBC strives to return injured workers to work with their original employers — either in the same job, a modified version of the same job, or a similar role. If this is not possible, WorkSafeBC's Employment Development and Placement program offers other employment options. This program helps WorkSafeBC vocational rehabilitation consultants and their clients identify new job opportunities and offers employers incentives to offset the costs of hiring and training employees involved in return-to-work programs.

These incentives can include a brief and completely funded work assessment; a cost-shared, on-the-job training program; worksite modifications; and/or tuition costs for job-related courses.

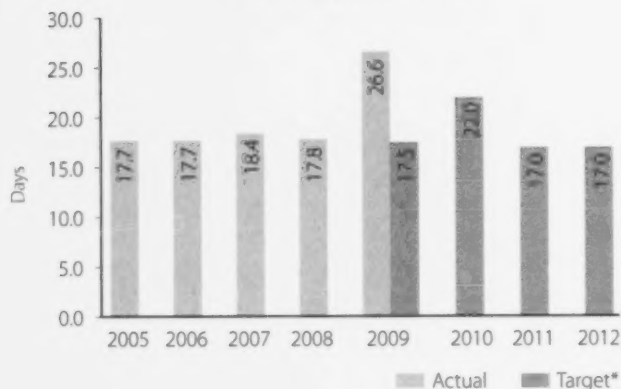
Looking ahead

A vibrant economy requires a skilled labour force, and the demand for such resources has played a major role in the success of return-to-work initiatives in recent years. Factors such as 2009's sluggish economy and the demands of an aging workforce have changed the employment landscape. For example, we may see a growing number of workers opting for retirement rather than returning to work. In 2010, WorkSafeBC will develop a new means of tracking this shift toward increased retirement.

In addition, to offset declining employment, WorkSafeBC has maintained conservative return-to-work targets. WorkSafeBC will continue to strive for a return-to-work rate of 75 percent or more in 2010, and through 2012. For returning workers who remain employed, this goal will be achieved through continued early intervention programs and an expansion of incentive programs to encourage employers' more active involvement in the return-to-work process.

Key objective/performance indicator #4: Improve timeliness of initial short-term disability payments

Timeliness of initial short-term
disability payments



- * As a result of a revised processing model under the new claims management system, the former target of 17 days may no longer be appropriate. WorkSafeBC is revisiting this timeliness measure now that the system is fully implemented to ensure it reflects our goal of income continuity for injured workers.

Importance

Many of B.C.'s injured workers rely on a steady flow of workers' compensation payments to sustain themselves and their families until they are able to return to work. To ensure injured workers receive their first short-term disability payments on time, WorkSafeBC calculates the average interval between the disablement date (the first day an injured worker is entitled to wage-loss benefits) and the date the first payment is made. WorkSafeBC aims to get disability payments to injured workers as quickly as possible, without compromising the adjudication process. However, a number of external factors can affect the timeliness of compensation payments, such as the time required for workers, employers, and health care providers to register their claim information with WorkSafeBC.

Setting targets

Historically, WorkSafeBC has maintained timeliness between 16 and 22 days. WorkSafeBC surveys show that workers expect to receive their first compensation payments within two to three weeks of sustaining an injury at work. According to these surveys, workers tend to be moderately satisfied if WorkSafeBC issues payment during this time period; however, their dissatisfaction increases if no cheques have arrived after three weeks.

Targets for the timeliness of payments are set in the middle of that range, from 17 to 18 days.

A payment range of 17 to 18 days generally provides sufficient time for WorkSafeBC to determine the eligibility of the claim and the benefit the worker is entitled to receive. This payment range is also consistent with the organization's goal to initiate and maintain regular bi-weekly payments for the worker, starting from the time a claim is first reported, a date the *Workers Compensation Act* stipulates must fall within three days of the incident.

Performance highlights

In 2009, before the new claims management system was implemented, the time it took to issue the initial payment fell to an all-time low of 15.6 days; however, by year-end, the average was up to 26.6 days.¹² This increase is attributed to the claim handling delays associated with the introduction of the new system. These delays were caused by backlogs, as claims were converted to the new system, staff members were temporarily redeployed, and employees and clients experienced steep learning curves. For example, employees had to learn new methods of accomplishing routine and exceptional tasks, employers had to learn how to submit and access information, and more workers had to interact through WorkSafeBC's Teleclaim service.

In the months following the launch, WorkSafeBC introduced short-term, urgent payment processes to ensure no workers experienced undue financial hardship; that way, workers in financial need received same-day or next-day payments. To avoid hardship to smaller providers and suppliers, WorkSafeBC made interim payments based on need. In some cases, we deferred the detailed matching of billed services to claims and issued an interim payment based on passed payment patterns. While this maintained needed cash flow to these clients, the usual account information necessary to confirm payments was delayed.

One benefit of the new system was that many processes were streamlined. By year-end, adjudication waits were reduced to a historical range, which resulted in a correcting trend in the timeliness of initial short-term disability payments. By 2010, WorkSafeBC was well positioned to continue this direction toward timelier adjudication and benefit payments for workers.

Major programs and strategies

In addition to initiatives in previous years — such as Teleclaim and in-language service in more than 170 languages — two

new initiatives in 2009 readied WorkSafeBC for this system change and streamlined operations to offer more customer-oriented services. First, the Claims Service Centre, an expanded call centre, was created to improve the flow and collection of worker-related information. Second, an online secure portal was designed for employers to report injuries and for employers and workers to view their claim information.

Ultimately, all of these initiatives were designed to streamline the registration of claims, the collection of relevant claim information, and the initial adjudication process, which will enable timely first payments.

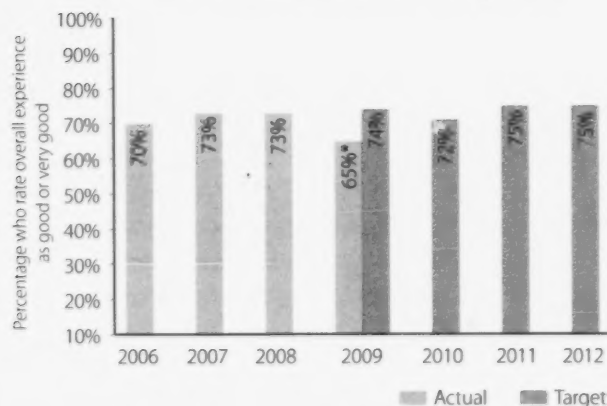
Looking ahead

WorkSafeBC believes the most significant challenges are now behind us, with additional process and technical improvements planned for 2010. As the organization continues to gain efficiencies with the new system and key staff members return to service roles, WorkSafeBC anticipates that timeliness of payments will continue to improve, thereby enhancing the timeliness of the adjudication process. Targets have been modified for 2010 to 22.0 days. The target for 2011 and 2012 is 17.0 days for each year.

Going forward, WorkSafeBC will strive to educate workers, employers, and medical providers on their reporting responsibilities, specifically those relating to timelines required by legislation.

Key objective/performance indicator #5: Improve injured workers' rating of overall experience

Workers' rating of overall experience



* The margin of error is +/- 4.9 percent, 19 times of 20.

Importance

WorkSafeBC strives to deliver timely, caring, personalized service that meets or exceeds injured workers' expectations.

To measure its performance, WorkSafeBC conducts an annual random survey of 400 injured workers (which was done from December 10–18, 2009) to gauge their impressions of WorkSafeBC and the level of service provided by its staff. The main indicator of success is the way injured workers rate their overall experience with WorkSafeBC. The measure is rated on a five-point scale, from very poor to very good. The result is expressed as the percentage of injured workers who rate their experience as good or very good.

Setting targets

One of WorkSafeBC's mandates is to provide fair compensation for workplace injury, illness, disease, and death within the boundaries set by law and policy. Given the adjudicative nature of this mandate, it is unlikely that all injured workers will agree with all decisions made on their claims. Also, the effort to return workers to work can become more challenging as the duration of the claim increases. Therefore, it is unrealistic to expect that all injured workers will rate their overall experience as good or very good. WorkSafeBC is committed to delivering excellent service, but realistically expects peak performance to be about 75 percent good or very good.

Performance highlights

In 2009, 65 percent of injured workers rated their overall experience with WorkSafeBC as either good or very good; down from 73 percent in 2008, and nine points below the target of 74 percent for the year.¹⁴

Injured workers in the initial stages of the claim process gave WorkSafeBC the highest overall experience rating of 78 percent — though this was down from 86 percent good or very good in 2008. In Entitlement, a later stage of the claim process, injured workers gave WorkSafeBC lower marks, with only 51 percent rating their overall experience as good or very good, down from 68 percent in 2008. Another 22 percent rated their experience as average. In Case Management, 58 percent of injured workers rated their overall experience as good or very good, and 23 percent rated their experience as average — ratings that were essentially unchanged from the previous year.

The changeover to the new claims management system in May 2009 (see page 107) led to a backlog of work in some areas. This made it difficult for WorkSafeBC staff members to communicate

with their clients in a frequent and timely manner, causing service delays. A significant number of injured workers also experienced payment delays (see key objective/performance indicator #4, page 33).

These delays affected the way some injured workers rated their overall experience with WorkSafeBC, which is consistent with past experience. In previous years, when WorkSafeBC underwent comparable levels of change, its customer service ratings initially dropped.

The survey asked injured workers why they rated their overall experience the way they did. In response, the workers who provided lower ratings cited three main reasons: a lack of communication with WorkSafeBC staff members, the time it took to have their claim approved, and delayed payments. Each of these responses is directly linked to the challenges in switching to the new claims management system.

Major programs and strategies

In 2009, WorkSafeBC continued to provide a number of service-enhancing initiatives, such as matching injured workers with special industry-aligned teams, and ensuring nurse advisor involvement earlier in the claim process to help with safe and timely return to work. But the year was dominated by the implementation of the new claims management system.

Feedback from the Voice of the Customer (VOC) program — a stakeholder feedback strategy designed to identify the areas of service most important to employers and injured workers — has been integrated into various levels of training and professional development for new and experienced employees. For example, all new claim adjudication staff members observe focus groups to hear workers' first-hand accounts of their experiences with WorkSafeBC.

Looking ahead

Although WorkSafeBC's service marks were down in 2009, the new claims management system is intended to position the organization to deliver better service over the long term. Indeed, with further system enhancements planned for the year ahead, and continued training and support for staff, WorkSafeBC is expecting service scores to improve in 2010.

In addition to strengthening the new system, WorkSafeBC will continue to enhance and refine the VOC program.

As part of that program, WorkSafeBC surveys approximately 650 injured workers per month and asks them to rate the level

of service provided by their customer service representative, nurse advisor, entitlement officer, or case manager. The results allow WorkSafeBC to track service ratings on an office-by-office basis, identify areas of strength, and highlight opportunities for improvement.

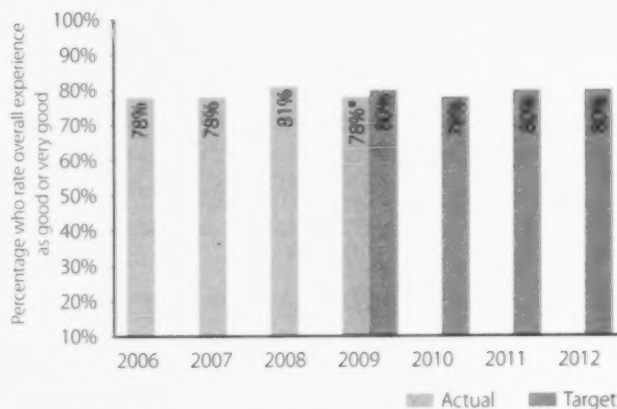
Near the end of 2009, the monthly service scores began to steadily increase. WorkSafeBC expects to see further improvement in 2010.

The volume of incoming claims is expected to remain relatively stable in 2010. But if the volume does rise, WorkSafeBC's service to injured workers could suffer. WorkSafeBC will continue to mitigate this risk through various strategic prevention initiatives (see pages 28 and 29).

Given these factors, and, in particular, considering the ongoing adjustments to the new system, WorkSafeBC is aiming to improve its injured worker overall experience rating to 72 percent good or very good in 2010. Once the new system is more established and employees have had time to fully adjust to the changes, WorkSafeBC is aiming to improve its overall experience rating to 75 percent in 2011 and 2012.

Key objective/performance indicator #6: Improve employers' rating of overall experience

Employers' rating of overall experience



* The margin of error is +/- 4.9 percent, 19 times of 20.

Importance

WorkSafeBC is committed to providing excellent customer service through its core functions of prevention, assessment, and compensation. To measure performance in these areas,

WorkSafeBC conducts an annual random survey of 400 employers (which was done from September 29–October 13, 2009) who have had two or more claims in the previous 12 months. The key indicator of success is employers' rating of their overall experience with WorkSafeBC. This indicator reflects employers' overall satisfaction with the claim process, inspections, premiums, and WorkSafeBC as a whole.

Employers are asked to rate their overall experience as very good, good, average, poor, or very poor. Success is determined by the percentage of respondents who rate their overall experience as good or very good.

Setting targets

In setting its targets for improving employers' overall experience, WorkSafeBC considers its prior performance, as well as any anticipated operational challenges (changes in business processes, rates, claim volume, staff availability, etc.) brought on by the current and future economic environment. Taking these factors into account, and considering WorkSafeBC's mandate as a regulatory and adjudicative body, WorkSafeBC currently estimates its peak performance among employers to be an overall experience rating of about 80 percent good or very good.

Performance highlights

In 2009, 78 percent of employers rated their overall experience with WorkSafeBC as good or very good. Although this was a three-point decline from the previous year, and two points below target, it is consistent with satisfaction ratings of previous years.

On average, medium-sized employers gave WorkSafeBC the highest overall experience rating — 82 percent in 2009, up from 79 percent the year before. Scores from large employers fell from 83 percent in 2008 to 73 percent in 2009. The ratings from small employers also fell, but by much less, down from 81 percent in 2008 to 78 percent in 2009.

When asked to rate WorkSafeBC's premiums, 87 percent of employers said they received average, good, or very good value for their money. This is the highest score WorkSafeBC has received in this area, a 21-point increase from the initial result in 2005. WorkSafeBC's ability to maintain rate stability during a period of economic uncertainty (see key objective/performance indicator #9, page 42) likely contributed to the high score.

In the area of prevention, WorkSafeBC improved slightly, with 69 percent of employers rating their workplace inspection as

good or very good (up from 68 percent the year before, and a 19 point increase over the initial score in 2005).

In 2009, the area of claim processing represented the greatest challenge for WorkSafeBC. During the year, WorkSafeBC implemented its new claims management system (see page 107), which constituted the largest technological investment in the history of the organization. While the new system has prepared the organization for the future, its implementation caused some service delays in the short term, and a curtailment of account management, particularly for large employers with relatively high claim volumes.

In 2009, large employers rated the claim process nine points lower than they did the previous year (53 percent good or very good and 32 percent average in 2009, versus 62 percent good or very good and 28 percent average in 2008). But the decline from large employers was offset by a higher rating from both small- and medium-sized employers (eight and three point improvements respectively, over the scores from the previous year).

Overall, 77 percent of employers rated WorkSafeBC's claim staff as good or very good (down two points from 79 percent in 2008). Sixty-three percent of employers rated WorkSafeBC's return-to-work support as good or very good (unchanged from the year before), and 58 percent of employers rated WorkSafeBC's claim decisions as good or very good (up from 52 percent in 2008). All claim-related service indicators were well above the baseline results established in 2005.

Major programs and strategies

In 2009, WorkSafeBC maintained relatively high service marks from employers due to the work of its staff and a number of ongoing programs and initiatives.

Through the segmentation initiative, introduced in 2004, employers continue to benefit from a process that aligns teams of WorkSafeBC employees with specific industries. These teams have developed expertise specific to particular industry sectors, enabling team members to better understand the unique job and worksite requirements associated with employers in each sector. In 2009, 55 percent of employers felt that WorkSafeBC claim staff had a good or very good understanding of their industry, up 10 points from the score in 2005.

During 2009, WorkSafeBC continued to consult with employers, provide education and support, and maintain partnerships aimed at improving safety, lowering claim duration, and reducing costs for employers.

WorkSafeBC's Employer Service Centre (ESC) also made a positive contribution to the overall experience score. The ESC handles all incoming phone calls from employers who need to register with WorkSafeBC, inquire about their payments, or discuss their classification. In 2009, 80 percent of employers rated the ESC as good or very good, maintaining an eight point improvement from 2007. Employers gave ESC representatives high marks for their courtesy and their ability to solve problems. The rating for ESC staff availability dropped slightly (down two points) but, like all other service centre indicators, the 2009 result was well ahead of the initial scores from 2005.

In 2009, the majority of surveyed employers expressed satisfaction with WorkSafeBC's online account management, payroll reporting, and payment options. Most employers also found WorkSafeBC's statements and forms easy to understand. The scores in all four areas have improved significantly since 2007.

Employers' overall experience is strongly influenced by the cost of premiums. In 2009, WorkSafeBC maintained a historically low level base premium rate, owing in part to its targeted prevention initiatives, a continued focus on safe and early return to work, and a prudent investment strategy (see page 12).

Looking ahead

The introduction of the new claims management system gives WorkSafeBC a framework for processing claims more quickly and efficiently in 2010 and beyond. As WorkSafeBC continues to refine the system, and claim staff gains further experience working with it, the organization should receive improved claim processing service marks from employers (particularly from large employers).

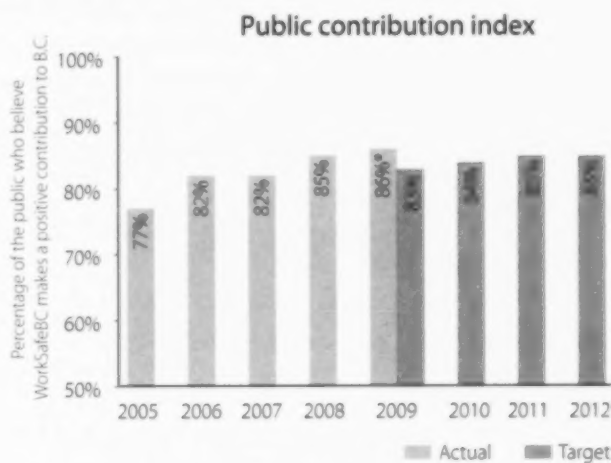
The other key components that influence employers' overall WorkSafeBC experience are worksite inspections and premium cost. Employers' ratings of worksite inspections are expected to improve or remain stable over the next few years. However, an increase in claim duration (see key objective/performance indicator #2, page 30) and continued economic uncertainty may place upward pressure on employers' premium rates. If rates do increase, this rise would have a negative effect on employers' overall experience ratings in the years ahead.

To help counteract this risk, WorkSafeBC will continue to provide prevention programs that ensure inspectors focus first on worksites most in need of their enforcement and safety support. WorkSafeBC will also continue to work with employers to support improved health and safety performance and disability management, thereby helping to control claim costs.

In 2010, WorkSafeBC will be reinvigorating its account management program, which is designed to provide customized service to large employers. Account managers act as primary points of contact for employers and work with their clients to provide integrated service. WorkSafeBC will also be working with employer stakeholder groups to produce a proposed service and fairness document, which will help reinforce and guide what employers can expect in the way of service from WorkSafeBC.

Taking these and other factors into account, and being particularly mindful of any economic uncertainty, WorkSafeBC is aiming to maintain its 78 percent overall experience score from employers in 2010. In the years to come, WorkSafeBC aims to return to its peak performance rating of 80 percent.

Key objective/performance indicator #7: Raise public confidence



* The margin of error is +/-3.5 percent, 19 times out of 20.

Importance

WorkSafeBC strives to be recognized province-wide as a valued public asset, and it relies on the trust and support of the larger community in order to improve workplace health and safety and return-to-work outcomes for injured workers. Increased public confidence in the organization enables WorkSafeBC to deliver its health and safety message more effectively and build durable partnerships with workers, employers, unions, employers' associations, and other workplace participants.

To measure public confidence, WorkSafeBC contracts Ipsos Reid to survey approximately 800 B.C. residents at random at least

four times a year (which was done March 10–15, June 9–14, September 8–13, and November 10–15, 2009) gauging how they view WorkSafeBC and its contribution to the province. This indicator calculates the percentage of those who rate WorkSafeBC's contribution as very positive or somewhat positive.

Setting targets

Each incremental increase in the index suggests greater public confidence and trust in the organization. WorkSafeBC requires this level of credibility in order to act as an agent of societal change and a champion of prevention, rehabilitation, and return to work.

As the index rises, each marginal increase becomes harder to achieve, and future gains are more likely to be reduced. Targets are set by taking into account both the organization's most recent results and the effect of external factors, with an eye toward long-term improvement.

Performance highlights

WorkSafeBC's average public contribution rating reached an all-time high of 86 percent positive in 2009, which exceeded the target for the year of 83 percent positive.

Of the 2,862 British Columbians who responded to WorkSafeBC's four surveys in 2009, 2,471 of the respondents (or 86 percent) said that WorkSafeBC is making a very positive or somewhat positive contribution to the province.

The current rating results reflect a continued trend that has seen WorkSafeBC's public contribution rating climb steadily from its 51 percent positive rating in 1996.

Major programs and strategies

WorkSafeBC's public contribution rating is not tied to a specific group of programs or initiatives; rather, it measures the larger community's perception of all aspects of the organization, including its prevention initiatives, management and adjudication of claims, worker and employer education, return-to-work and rehabilitation programs, financial stability, and more. In essence, the rating reflects everything WorkSafeBC does and summarizes the degree to which WorkSafeBC is valued as a contributing to society.

WorkSafeBC's extensive public awareness campaigns very likely contributed to its strong public contribution rating. In 2009,

the Raise Your Hand movement continued to educate young workers about their right to be trained properly, and built upon 2007 and 2008 messages that youth have the right and the responsibility to ask questions about safety in the workplace. The campaign centered on RaiseYourHand.com, a web site that invites young people to visit, and learn more about their safety rights. The young worker team visited major youth festivals and school campuses, while the web site received nearly 125,000 page views. In addition, WorkSafeBC used a wide variety of means to present its safety message to youth in graphic and arresting terms, including advertising and poster campaigns; the young worker speaker program involving 15,000 participants in B.C.'s high schools; and, the new WorkSafeBC/Canadian Paralympic Committee speaker team, which reached more than 2,200 members of the public.

WorkSafeBC also launched several high-profile awareness campaigns focusing on the safety issues affecting a number of high-risk industries and at-risk demographics. Among these safety initiatives were the creation of 10 new health and safety videos that were added to the WorkSafeBC web site and YouTube; new videos to protect hospital and home care workers from violence; a high-profile contest to encourage construction companies and workers to keep safety top-of-mind; a continuing campaign to encourage drivers to reduce their speed in construction zones; an ongoing back safety campaign; and, columns and ads in trade publications. In addition, WorkSafeBC released several high-profile accident investigations and the lessons learned from those incidents, and marked the Day of Mourning, an annual campaign that honours workers who have lost their lives as a result of workplace injuries or occupational disease. Furthermore, WorkSafeBC expanded the health and safety information it provides in web portals created in 2008. Now these web portals are offered in seven languages to better serve stakeholders whose first language is not English. These web portals contain information on workplace health and safety, claims, and assessments.

Looking ahead

WorkSafeBC has set a lower target level for its public contribution ratings in 2010 and 2011 than it achieved in 2009; however, this new target is at a higher level than in previous years. The 2009 results will be challenging to sustain in 2010, owing to continuing economic pressures. In past surveys, WorkSafeBC received higher public contribution ratings from those who

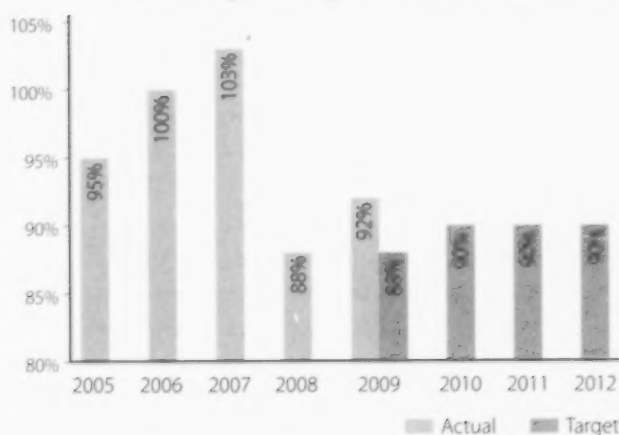
were employed; if the proportion of employed British Columbians decreases, there may be downward pressure on this indicator.

In 2010, WorkSafeBC will continue to engage in powerful campaigns to capture stakeholders' and the public's attention. The organization will strive to change attitudes and behaviours about workplace safety across all high-risk industries and at-risk demographics while continuing its emphasis on young workers. A campaign is also underway to raise public awareness about motor vehicle incidents involving workers, along with a plan to further expand the number of health and safety videos. As well, WorkSafeBC will increase its efforts to reach out to communities whose first language is not English to provide information about health and safety, claims, and assessments. Throughout this period, WorkSafeBC will seek to build a sense of shared ownership and responsibility for occupational health and safety and return-to-work initiatives.

By continuing to express the importance of public safety and provide ongoing service initiatives, WorkSafeBC will strive to increase public confidence in the organization, and thereby improve the perceived value of the workers' compensation system among all British Columbians.

Key objective/performance indicator #8: Achieve 100 percent of the target asset level

Percentage of target asset level achieved



Background

WorkSafeBC determines its funding adequacy by measuring actual assets on hand against a target asset level:

$$\text{Actual assets} \div \text{Target assets}$$

Actual assets are the total assets held by the organization, as shown on the consolidated balance sheet (see page 68).

The target asset level is calculated by adding the following three components:

- The total liabilities
- The various categories of reserves appropriated, as described in Note 10 of the consolidated financial statements (see page 86), excluding the Capital Adequacy Reserve
- The target level of the Capital Adequacy Reserve²⁵ (see Note 2(E) of the consolidated financial statements, page 73)

This is a variation of the method other Canadian workers' compensation boards and the Association of Workers' Compensation Boards of Canada (AWCBC) use to measure funding adequacy, given that other organizations use only their liabilities as a denominator. Using the AWCBC method, and, according to the most recent data available (2008), WorkSafeBC has one of the strongest financial positions of all workers' compensation boards in Canada (see Appendix B, page 100).

Importance

As an insurer, WorkSafeBC has significant fiduciary responsibilities, including a responsibility to ensure that the compensation system remains financially viable. A key means of achieving this is to target an asset level sufficient to fund all future expected payments for current claims, while considering risks to the assets and liabilities on hand.

Strong capital reserves serve the interests of employers by dampening the rate volatility that would otherwise arise from fluctuating returns on investments, and/or unforeseen costs beyond those assumed in the liabilities. WorkSafeBC invests in a balanced portfolio (see page 57) that includes equity investments that are expected to result in higher long-term returns. Higher returns allow lower long-term net employer premiums, but are subject to greater short-term swings in market value. Similarly, because WorkSafeBC's liability payments are long term in nature, they are subject to potential changes in

environmental factors or policies, some of which could potentially result in major cost increases. When either of these risks occur — a significant downturn in equity values, or significant, unanticipated costs — WorkSafeBC can draw upon capital reserves to limit employer premium rate increases.

Setting targets

The long-term target for this performance indicator is 100 percent of the target assets. This funding level will be achieved by setting aside funds in the Capital Adequacy Reserve in economically good years (see the Management Discussion and Analysis, page 50). At this optimum funding level, WorkSafeBC will have a sufficient capital reserve to withstand the risks inherent in the assets and liabilities (see Note 18 of the consolidated financial statements, page 91).

The target for 2010–2012 has been set at 90 percent. Each year, WorkSafeBC develops targets for the next three years by projecting likely financial results, while considering factors such as expected investment returns and inflation, injury rate and claim duration trends, and the likely outcomes of current strategies. While 100 percent is the optimum target, values in any given year may rise above or fall below this long-term target level, particularly as equity markets rise and fall. Since the 100 percent target level includes substantial reserves, and since the current and targeted levels for this measure over the next three years still equate to an expected range of 119–124 percent of assets over liabilities (the old measure,¹⁶ see Appendix B, page 100), WorkSafeBC is confident that the published target amounts reflect the continued viability of the system.¹⁷

Performance highlights

At 2009 year-end, WorkSafeBC's actual assets were 92 percent of the target value of assets required. A detailed calculation of this key objective/performance indicator is shown in the table on the right.

	As at Dec. 31, 2009 (\$ millions)	As at Dec. 31, 2008 (\$ millions)
Actual assets	\$11,970	\$11,082
Target assets		
Liabilities	\$9,688	\$9,594
Target Capital Adequacy Reserve*	\$2,732	\$2,445
Other reserves	\$540	\$540
Target assets	\$12,960	\$12,579
Key objective/ performance indicator (= actual assets/ target assets)	92%	88%

* For more information on the Capital Adequacy Reserve, see the Management Discussion and Analysis, page 50, and Note 2(E) of the consolidated financial statements, page 73.

Decisions made in earlier years regarding investment and reserve policies helped buffer WorkSafeBC from the full effect of declining markets in 2008. The year 2009 saw a partial but substantial recovery in equity markets, which is the primary reason this indicator was 4 percentage points better than targeted. The higher-than-planned investment returns in 2009 accounted for 5 percentage points of the better-than-targeted performance on this measure, which more than offset the 1 percentage point negative impact of premium revenue declines.

Major programs and strategies

In order to move toward an asset level of 100 percent of the target assets, WorkSafeBC strives to apply sound investment policies and practices, prudently manage the employer assessment process, and reduce claim costs by helping B.C. industries achieve lower injury rates and higher return-to-work rates.

WorkSafeBC maintains a conservative, diversified investment portfolio designed to provide solid investment returns without undue risk to the system. By applying this prudent approach, WorkSafeBC provides reasonable assurance that, in the long

term, investment returns will cover inflationary increases to benefit liabilities.¹⁸ In 2009, WorkSafeBC saw investment gains of 8.7 percent, an improvement over the 8.2 percent investment loss experienced in 2008. Over the past five years ending December 31, 2009, WorkSafeBC's portfolio of investments has produced an average rate of return of 5.8 percent (see the Market return vs. required return chart, page 57).

In addition to investment returns, the system relies on employer premiums as a key source of income. To ensure the timely and accurate collection of employer premiums, WorkSafeBC works closely with employers to verify estimated payrolls, confirm amounts receivable, collect overdue accounts, and educate employers on their payment obligations and potential savings opportunities. WorkSafeBC also investigates employers who default on their payments, and may initiate proceedings against these employers, resulting in administrative penalties or court-imposed sanctions.

Claim costs account for approximately 97 percent of all liabilities against the Accident Fund. The organization works in partnership with workers, employers, industry associations, unions, and other key stakeholders to reduce the incidence of occupational injury, illness, disease, and death (see key objective/performance indicator #1, page 27). And when these incidents do occur, WorkSafeBC endeavours to resolve the claims quickly, and safely return the injured workers to lasting employment — strategies that play a major role in reducing claim costs (see key objective/performance indicators #2 and #3, pages 30 and 31 respectively).

Looking ahead

This key objective/performance indicator is based on, among other factors, the market value of the organization's assets (the numerator of the benchmark ratio), including investments. Thus, a certain level of volatility is to be expected in the future as equity markets continue to rise and fall.

The Board of Directors considers the financial stability and sustainability of the workers' compensation system a key priority. Accordingly, WorkSafeBC sets assessment rates using smoothed investment accounting, rather than market value accounting. This approach dampens the volatility (in both market and metrics) referred to above (see Financial Context,

page 12). According to WorkSafeBC policy, the organization will draw upon its Capital Adequacy Reserve as required to limit year-to-year premium rate increases for employers.

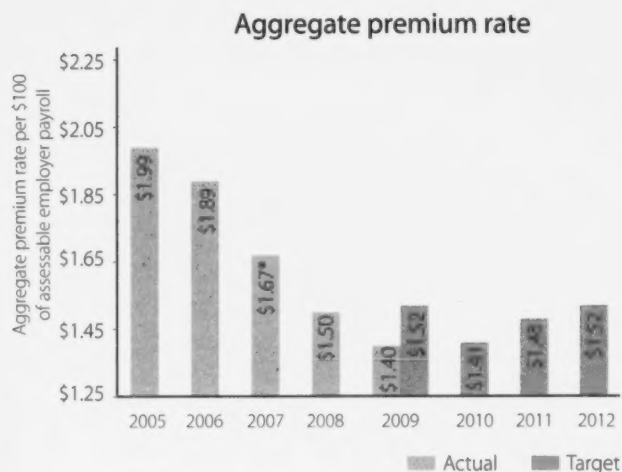
The targets for this key objective/performance indicator, set through 2012, reflect investment returns that are expected to be less robust than the returns from 2003 to 2006. As a result, WorkSafeBC expects that it will be required to make a modest draw down from the Capital Adequacy Reserve during 2010–2012 to dampen year-over-year rate increases, in accordance with its funding policy. Thus, WorkSafeBC expects to see a slight decrease in this key objective/performance indicator in 2010.

In an effort to maintain performance levels in this area, WorkSafeBC manages administrative costs, works with employers to reduce injuries and improve return-to-work outcomes, and applies a prudent investment strategy. However, in striving for the long-term goal of 100 percent of the target asset level, WorkSafeBC largely depends on obtaining investment returns in excess of actuarial assumptions. In years when returns outperform assumptions, as they did in 2009, WorkSafeBC expects to move closer to its ultimate target of 100 percent. But, since it is impossible to accurately forecast short-term financial market fluctuations, such outperformance is not built into the 2010–2012 targets.

It should also be noted that the Board of Directors has directed the organization to conduct a review of the current Capital Adequacy policy and reporting in 2010 — a review that could result in changes to the targets and/or reporting in this area.

The key objective/performance indicator projections cited above were developed in the context of current accounting and actuarial standards, which stipulate that investments are stated on the balance sheet at market value, whereas liabilities are determined using long-term assumptions. However, new International Financial Reporting Standards (IFRS) for insurance liabilities are currently under development, and are expected to be implemented no earlier than January 1, 2012. These new standards could have a substantial impact on this indicator (see Financial Context, page 12).

Key objective/performance indicator #9: Attain an aggregate premium rate between \$1.25 and \$2.25¹⁹



(Rates shown are final for 2005 to 2008 and estimated for 2009 to 2012)²⁰

- * The 2007 aggregate rate does not reflect the effects of the \$86-million surplus rebate distributed in 2007. The aggregate rate, including this surplus rebate, was \$1.54 per \$100 of assessable payroll.

Importance

WorkSafeBC collects premiums from employers to cover the cost of operating the workers' compensation system. In exchange, employers are protected from lawsuits arising out of work-related injury, illness, disease, and death, and workers receive no-fault insurance for work-related injury and disease. Employers' premiums vary depending on the cost of claims in their industry's sector and the value of WorkSafeBC's total assets, but WorkSafeBC aims to maintain an aggregate premium rate between \$1.25 and \$2.25 per \$100 of assessable payroll. If the aggregate premium rate goes above \$2.25, it can put excessive financial strain on employers; if the rate dips below \$1.25, it can weaken the long-term financial sustainability of the system (based on the current environment).

Setting targets

Across Canada, 2009 premium rates averaged around \$2.00 per \$100 of assessable payroll and ranged from \$1.32 to \$3.00 per \$100 of assessable payroll. This variation is attributed to the differing mix of industries and benefit levels, as well as the funding level and coverage rules in specific jurisdictions. WorkSafeBC's target range of \$1.25 to \$2.25 is considered optimal in the present environment, given the funding level

range and premium levels in other jurisdictions. If the injury rate continues to fall, and injured workers are returned to work quickly, costs will drop — reducing pressure on premiums as well.

Performance highlights

The 2009 average premium rate collected from employers is \$1.40 per \$100 of assessable payroll, a decline of 6.7 percent from the 2008 aggregate rate of \$1.50. This compares to the 2009 published base rate that was unchanged at the 2008 level of \$1.56. The main reason for the difference is that the aggregate rate recognizes a sharp decline in high-risk industrial activities in 2009 (such as construction and forestry), a factor that is not reflected in the published rates. WorkSafeBC expects that reduced revenue resulting from this decline will be offset by fewer injuries and claims in the higher-risk industries. As a result, the organization should maintain its expected financial balance.

The aggregate premium rate of \$1.40 remains among the lowest in Canada (see Appendix B, page 100). Overall, approximately 41 percent of employers experienced either a reduction or no change in their base premium rates in 2009, while 59 percent experienced an increase.

Major programs and strategies

Claim costs are the primary driver of the aggregate premium rate. To reduce claim costs, WorkSafeBC works with employers, workers, and other key stakeholders to strengthen workplace health and safety; reduce the incidence of workplace injury, illness, disease, and death; and, facilitate workers' safe and durable return to work as soon as possible following injuries.

Some of the prevention activities undertaken by WorkSafeBC include educating and consulting workers and employers on key health and safety issues, forging partnerships with industry associations to reduce workplace injury and illness, and reaching out to high-risk industry sectors and particular groups, such as young workers.

The prevention of injury and illness is the first, and best, strategy for reducing claim costs, but when injuries do occur, the single biggest factor that affects claim costs is claim duration.

WorkSafeBC has a variety of strategies and programs in place to reduce the duration of claims and return injured workers to employment in a safe and timely manner. Through the assistance of WorkSafeBC vocational rehabilitation consultants, employers, and training organizations, the majority of workers

referred to WorkSafeBC's vocational rehabilitation program are successful in obtaining suitable new jobs (see key objective/performance indicators #1, #2, and #3, pages 27, 30, and 31 respectively).

Looking ahead

In 2010, the estimated aggregate premium rate will increase by 0.7 percent, from \$1.40 per \$100 of assessable payroll to \$1.41. This rate reflects trends in recent years toward relatively stable injury rates. In 2010, base premium rates will decline or remain unchanged for 46 percent of B.C.'s registered employers and increase for 54 percent of them. Rates are expected to rise gradually through 2012.

Further reductions in base premium rates will depend primarily on a lower injury rate, a shorter duration of claims, and/or a higher return-to-work rate for injured workers. Premium rate reduction may also result from favourable changes in external factors, such as the performance of financial markets or shifts in the general mix of workers and businesses participating in the B.C. economy.

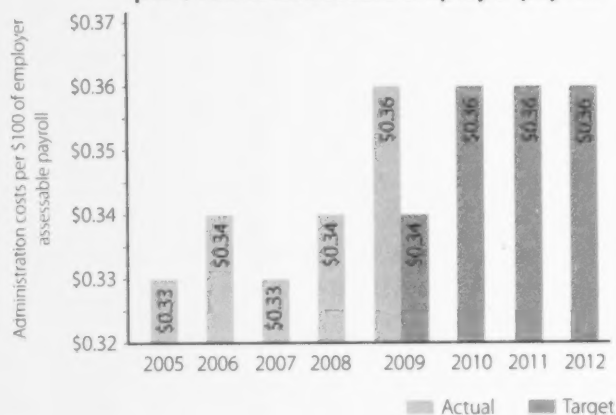
WorkSafeBC currently expects relatively stable injury rates, a reduction in claim duration in the longer term (in part driven by improved claim management technology), and continuing low inflation. However, in the aftermath of the global financial crisis, near-term future investment returns are expected to be relatively low compared to historical returns (see Market return vs. required return chart, page 57). To mitigate market fluctuations and other risks, WorkSafeBC will continue to refine and enhance its prevention initiatives, return-to-work programs, financial investment strategy, and other activities that either directly or indirectly influence premium rates. Taking all these factors into consideration, WorkSafeBC is forecasting an aggregate premium rate of \$1.48 for 2011 and \$1.52 for 2012.

These premium rates are increasing mainly because of an expected reduction in rate group surpluses. WorkSafeBC is expecting to see a reduction in these surpluses mostly because it anticipates lower investment returns in the near future. If rate group surpluses decrease, they serve to increase future premium rates.

To view supplementary information about WorkSafeBC's published base rates and final aggregate premium rates since 2004, visit WorkSafeBC.com.

Key objective/performance indicator #10: Control administration costs

WorkSafeBC's administration costs²¹
per \$100 of assessable employer payroll



Importance

WorkSafeBC aims to provide value for stakeholders by delivering the highest level of service in the most cost-effective manner. One way WorkSafeBC measures its administrative efficiency is by calculating its annual administration costs per \$100 of assessable employer payroll.

Other Canadian workers' compensation organizations also use administration costs as a key statistical indicator, based on a common definition of administration costs, with adjustments to allow for operating and legislative differences (see Appendix B, page 100). By calculating its annual administration costs, WorkSafeBC can compare and monitor the overall cost of administering the B.C. workers' compensation system.

Setting targets

In setting targets for its administrative cost ratio, WorkSafeBC balances the need to remain cost-effective with the need to maintain high service levels for workers and employers. Both internal and external factors affect WorkSafeBC's performance and decision making in this area.

For example, a decrease in the number of WorkSafeBC employees who perform claim-related work could lower the organization's administration costs. But such a reduction could also trigger longer rehabilitation times and lower return-to-work outcomes for injured workers, and ultimately increase claim costs.

Changes in the size of WorkSafeBC's workforce need to follow a long-term trend, not mirror short-term fluctuations. That's because claim costs generally lag behind economic trends. For example, when the economy shrinks, as it did in 2009, the number of incoming claims tends to drop, but workloads and resource requirements do not, due to the disproportionate amount of work required on older or more complex claims.

Similarly, a decline in B.C.'s economic activity could cause a decrease in the total assessable payroll for the province, and thus increase the organization's ratio of administration costs per \$100 of payroll, while a rapid increase in economic growth could have the opposite effect.

Given these variables, WorkSafeBC sets targets based on its best estimates of the organization's overall capacity, relative to B.C.'s expected economic growth.

Since all workers' compensation organizations face similar administrative and financial challenges, this measure is designed to track WorkSafeBC's performance relative to that of other workers' compensation systems in Canada.

Performance highlights

In recent years, WorkSafeBC's administrative cost ratio had been relatively stable. But in 2009, weakness in the provincial economy had a significant impact on the organization's results: WorkSafeBC's administration costs increased by \$20.0 million (or \$8.7 million for the subset of administration costs that are included in the AWCBC definition of administration costs²¹), and the province's assessable payroll decreased by \$1.9 billion. This resulted in an increase in the administrative cost ratio — from \$0.34 per \$100 of assessable payroll in 2008 to \$0.36 in 2009.

Thus, this key objective/performance indicator did not meet its 2009 target of \$0.34 per \$100 of assessable payroll. This was primarily due to the decrease in assessable payroll. The increase in administration costs was anticipated and planned for; however, the decrease in assessable payroll was not. The 2009 target was based on a projected assessable payroll of \$73.2 billion, while the actual assessable payroll for the year is now estimated to be \$69.9 billion.

Major programs and strategies

WorkSafeBC monitors and manages administration costs through a system of internal controls, including the following key control procedures:

- Monthly reviews and analyses of administration costs, including explanations of significant variances from plan by

each division's financial manager with the Chief Financial Officer (CFO) and Corporate Controller

- Monthly reporting of administration costs and variances to the President and Chief Executive Officer (CEO), and the Senior Executive Committee, and regular reporting to the Audit Committee of the Board of Directors
- Quarterly business plan and budget reviews with the President and CEO, CFO, and Corporate Controller by each division's vice-president and executive director(s)

In 2009, WorkSafeBC implemented a new claims management system, and restructured associated business processes (see page 107). In the long run, this will result in savings to both administrative and claim costs.

Looking ahead

WorkSafeBC has budgeted for administration costs to increase an average of 3 percent per year over the next three years. The increase is due primarily to inflation estimates and non-discretionary increases (e.g., WorkSafeBC's employee benefit commitments and other contractual commitments). The increases will be partially offset by savings as a result of efficiencies from the new system, expected to be realized beginning in 2010.

Given the downturn in the provincial economy, WorkSafeBC has modified its administrative cost targets for 2010 and 2011 from those published in the *2008 Annual Report and 2009–2011 Service Plan*. WorkSafeBC has adjusted the 2010 target upward by \$0.03, while adjusting the 2011 target upward by \$0.02 per \$100 of assessable payroll.

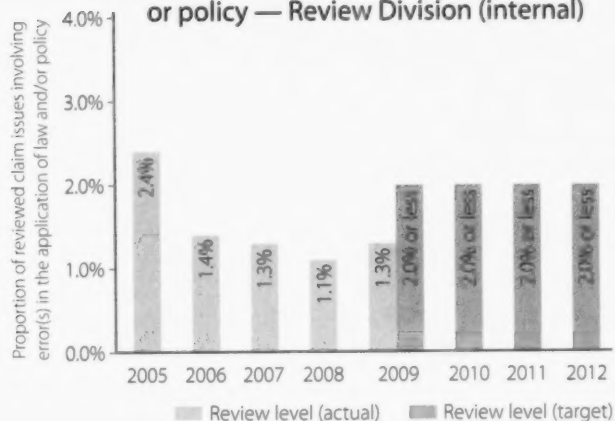
WorkSafeBC's Board of Directors has approved a \$10.9-million (or 2.8 percent) increase to the organization's 2010 operating budget. The increase is necessary to cover non-discretionary costs; service improvements; new strategic initiatives, such as the production of safety videos and an increased web presence; and, a continued campaign to increase employers' compliance with their registration requirements with WorkSafeBC, made possible through a partnership with the Canada Revenue Agency.

When the 2010 target was published in 2008, the province's assessable payroll was estimated to increase by \$3.7 billion, but now it is expected to decrease by \$218 million, and WorkSafeBC's 2010 administration costs are expected to remain at \$0.36 per \$100 of assessable payroll.

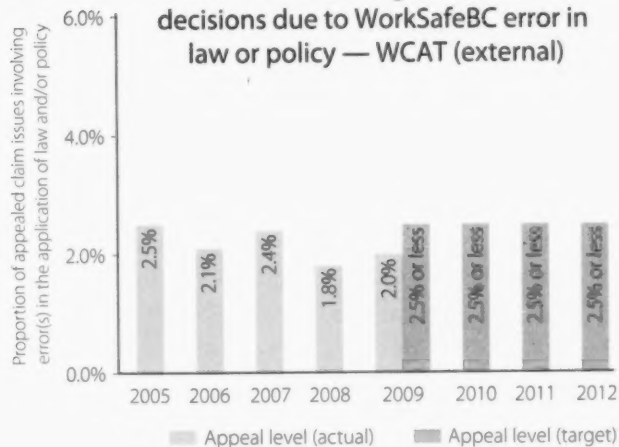
WorkSafeBC will continue to monitor and evaluate the balance between maintaining its administration costs and ensuring a high quality of service, while preparing to adjust that balance to best meet the needs of stakeholders.

Key objective/performance indicator #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

**Claim issues leading to overturned
decisions due to WorkSafeBC error in law
or policy — Review Division (internal)**



**Claim issues leading to overturned
decisions due to WorkSafeBC error in
law or policy — WCAT (external)**



Importance

Every working day, WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation matters affecting B.C. workplaces. Their underlying goal is to arrive at the right decision by weighing evidence in a consistent manner and ensuring compliance with applicable law and policy. However, in the absence of a law or policy to cover every conceivable situation, each issue must be decided on its own merits, within the parameters of applicable law and policy.

In the vast majority of cases, these decisions are accepted by those involved. Nonetheless, workers and employers have the right to appeal decisions if they disagree with WorkSafeBC's findings. For most WorkSafeBC decisions, two levels of appeal are available. The first level of appeal involves an internal review by WorkSafeBC's Review Division to ensure appropriate decisions have been made on the issues under dispute. The second level of appeal concerns the Workers' Compensation Appeal Tribunal (WCAT), a final, external source of appeal for WorkSafeBC matters.

Both the Review Division and WCAT are important parts of the adjudicative process. Their findings are an indicator of the overall quality of WorkSafeBC's decisions and may highlight the need for policy reform, enhanced employee training, or additional stakeholder education.

Setting targets

Upon review or appeal of WorkSafeBC issues, the Review Division or WCAT may reach a decision that is different than the original decision, based on the receipt of new information or the reweighing of existing information. These findings are part of the normal inquiry process, rather than a reflection of erroneous decision making. WorkSafeBC also tracks the rate of errors coded by the Review Division or WCAT in the application of law and/or policy — the most objective and readily available measure of quality decision making.

Ideally, the organization would decide every issue on every claim in accordance with law and policy. However, the everyday realities associated with maintaining adequate staffing levels, handling a high volume of claims or increasingly complex claims, providing ongoing training, meeting deadlines, and ensuring precision and accuracy in claim-coding judgments, all act as barriers to meeting the ideal objective of a zero error rate.

In light of these practical limitations, WorkSafeBC has established this indicator as a marker of quality decision making. The Board of Directors has set the practical target error rate at 2 percent or less for primary WorkSafeBC decisions reviewed at the Review Division level and 2.5 percent or less for Review Division decisions appealed at the WCAT level. These targets, reviewed annually by the Board of Directors, have been extended to 2012.

Performance highlights

In 2009, the Review Division reviewed a total of 13,394 issues, relating to 10,549 WorkSafeBC decisions. Of those issues, 175 (or 1.3 percent) led to overturned decisions due to a perceived error in WorkSafeBC's application of legislation or policy — which was better than the target for the year. WCAT ruled on 4,681 issues relating to 3,321 completed appeals of Review Division

decisions. Of those issues, 92 (or 2.0 percent) led to overturned decisions due to a perceived error in the application of legislation or policy — which was also better than the target for the year.

To put these results in context: the Review Division upheld 69 percent of the issues it reviewed; 21 percent were allowed or allowed in part; and, 10 percent were returned to WorkSafeBC (back to the initial decision making division for further investigation or determination).

Out of the appeals WCAT completed in 2009, 63 percent were upheld and 37 percent were allowed or allowed in part.

The tables on this and the facing page provide additional information on the outcomes of the top five groups of issues most often reviewed or appealed in 2009.

Review Division — Outcomes of top five issue groups reviewed in 2009
(represents 66 percent of all issues and does not include issues returned for further consideration during 2009)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	2,609	9	13	375	266
Entitlement to a permanent partial disability award	1,291	4	15	170	61
Acceptance of a claim for an occupational disease	1,005	1	0	56	51
Entitlement to compensation for a temporary total disability	665	4	11	200	110
Entitlement to compensation for a temporary partial disability	526	1	11	165	69

* Issue groups have been stated in plain language.

WCAT — Outcomes of top five issue groups appealed in 2009
(represents 72 percent of all issues heard by WCAT in 2009)

Issue group*	Decision upheld	Allowed or allowed in part due to error in law	Allowed or allowed in part due to error in policy	Allowed or allowed in part due to reweighing of existing evidence	Allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	1,002	7	12	89	414
Entitlement to a permanent partial disability award	406	9	4	64	298
Acceptance of a claim for an occupational disease	322	5	2	19	151
Entitlement to compensation for a temporary total disability	229	3	5	21	83
Reopenings/Reconsiderations	187	0	4	16	74

* Issue groups have been stated in plain language.

Major programs and strategies

To ensure that decisions made under the *Workers Compensation Act* are consistent with legislation, regulation, and policy, WorkSafeBC undertakes a variety of programs to educate decision makers on appropriate methods of evidence gathering and weighing, decision making, and documenting.

WorkSafeBC also operates quality councils for compensation, prevention, and assessment decision making. These senior-level councils, which include representatives from various areas of WorkSafeBC, review ongoing issues regarding the quality of decision making and develop recommendations for change. To complement this strategy, WorkSafeBC maintains working-level teams that widely represent the organization to help identify everyday service concerns and develop and implement immediate and long-term solutions.

WorkSafeBC's Review Division continued its Quality Decision Review program through 2009. The program addresses the quality of the division's decision making process, including the division's correct application of law and policy. Without encroaching on the independence of its decision makers, review officers examine each other's draft decisions and provide constructive feedback before final decisions are released. Similarly, team managers and a quality assurance group review selected decisions, either before or after they are issued.

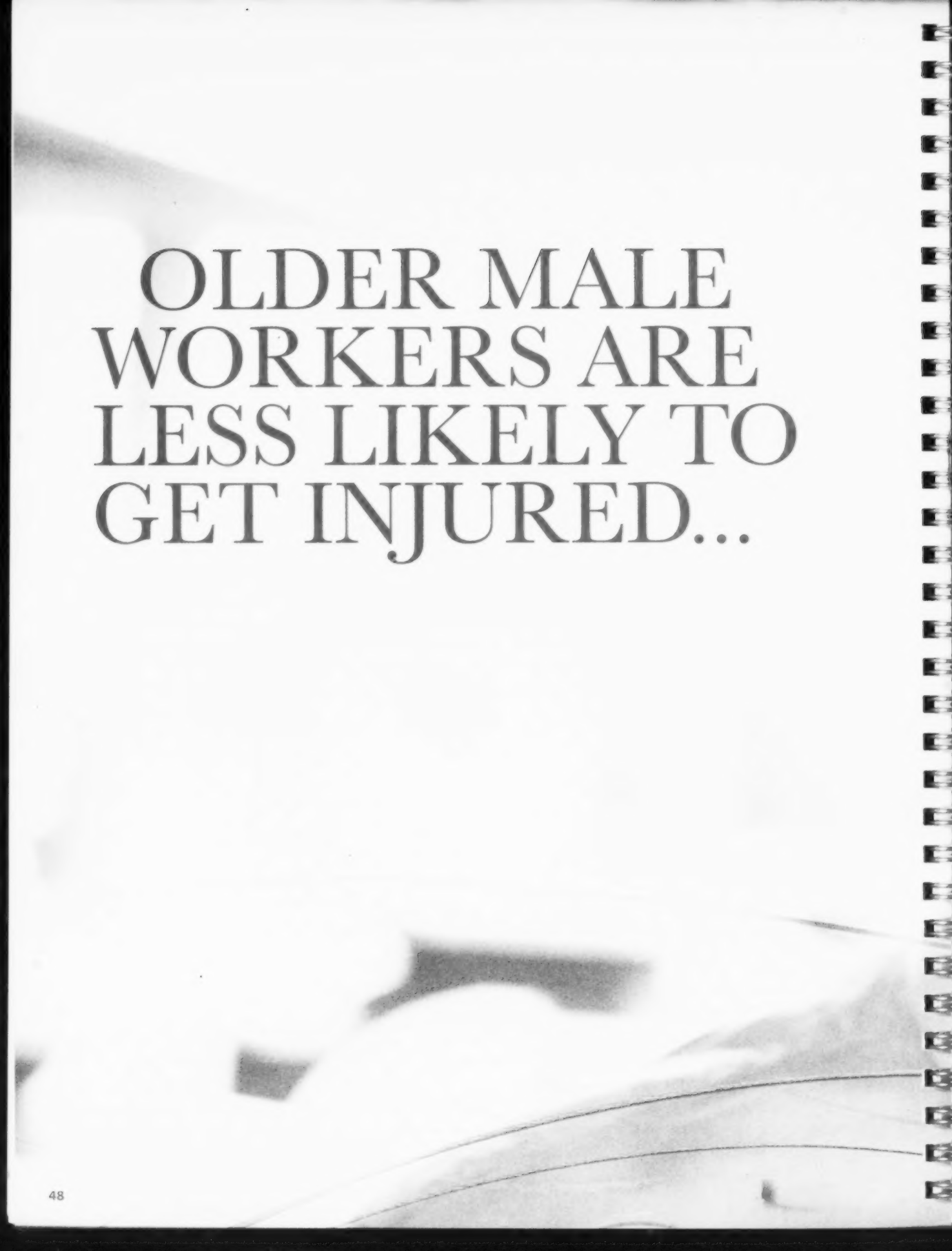
The Review Division's quality assurance group also conducts in-depth reviews of decision making in selected subject areas.

In 2009, the group continued to review decisions in select subject areas, such as relief of costs, disability awards, activity-related soft-tissue disorders, prevention, and Review Division decisions with the outcome of "return to WorkSafeBC." Each of these reviews identified opportunities for improved decision making — opportunities that either prompted further review or ultimately led to change in the organization's approach to particular decisions.

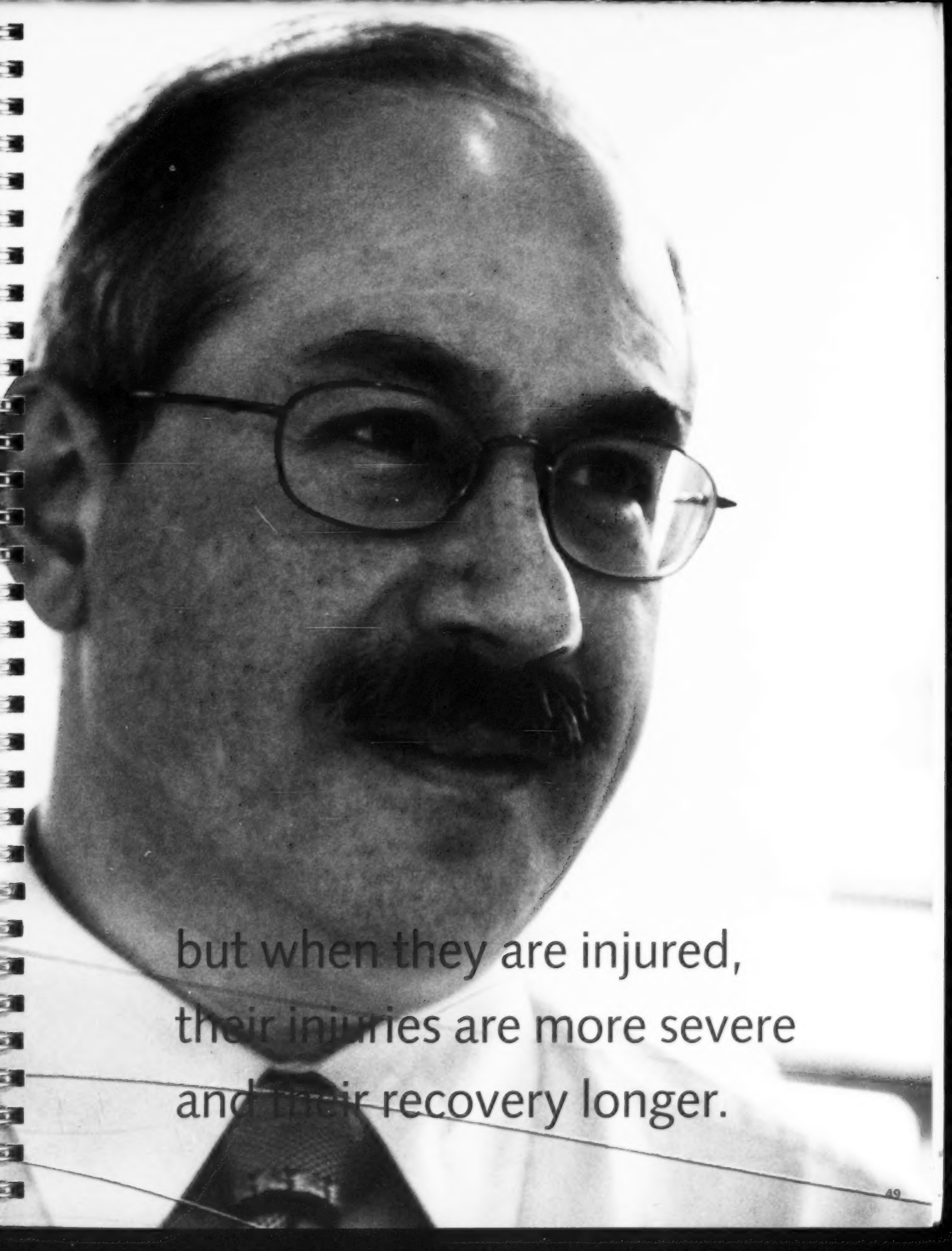
Looking ahead

For decisions being reviewed at the Review Division level, WorkSafeBC is aiming to keep a rate of 2.0 percent or less for decisions overturned based on errors in the application of legislation and/or policy — right through to 2012. For Review Division decisions being appealed at the WCAT level, the targeted rate through to 2012 is 2.5 percent or less. Although these targets are less favourable than the results achieved in 2009, they are considered nearly optimal if current trends continue as expected (see Setting annual targets, page 23).

Adjusting to new claim technology, new policies, and staff movement could put pressure on decision makers, potentially introducing additional errors in the application of law and policy, or in the coding of errors. Ongoing training and quality-enhancing initiatives should mitigate this risk. WorkSafeBC will continue to monitor claim and review volumes and adjust its resources where such measures are deemed necessary.



OLDER MALE
WORKERS ARE
LESS LIKELY TO
GET INJURED...



but when they are injured,
their injuries are more severe
and their recovery longer.

Our Finances

Management Discussion and Analysis

This section reports on WorkSafeBC's consolidated results and financial position for the year ended December 31, 2009. It should be read in conjunction with the consolidated financial statements and accompanying notes. This annual report and service plan contains forward-looking information, including assertions regarding the anticipated performance of WorkSafeBC. These assertions are subject to a number of risks and uncertainties that may cause actual results to differ from those outlined in the forward-looking information.

This document and WorkSafeBC 2009 Statistics are both available at www.worksafebc.com/publications/reports/annual_reports. Supplementary information regarding WorkSafeBC's operating results from an underwriting perspective, including a gain and loss analysis and a statement of changes in rate group balances, is also available online.

Overview of 2009 financial results

In 2009, WorkSafeBC's portfolio investments definitely rode the wave of recovery seen in financial markets around the world. While our overall return on portfolio investments was not as strong as that of many other organizations, our conservative approach to investing still paid off. In 2009, our \$1.26 billion investment income (including unrealized market value gains reported under other comprehensive income) was much larger than expected, which helped WorkSafeBC recover from the losses of 2008. In fact, for the 24 months ended December 31, 2009, WorkSafeBC did very well compared to other Canadian workers' compensation boards and pension-type investment

vehicles. In that two-year period, our total investment income was up slightly; in 2009, we fully recovered the \$1.22 billion of investment losses in 2008. This shows that our conservative strategy paid off, even though it meant a slower rebound in 2009.

However, B.C. was slow to recover from the economic downturn in 2009. The province, which was late entering the recession, had hoped to avoid the worst effects of the downturn, as experienced in other areas of Canada and the world. But that was not to be. In 2009, many of the province's major industries

2009 and 2008 highlights

	2009	2008	Change
Financial highlights (\$ millions)			
Portfolio investments	11,315	10,400	915
Benefit liabilities	9,424	9,348	76
Unappropriated balance	694	1,012	(318)
Accumulated other comprehensive income (loss)	179	(933)	1,112
Reserves	1,409	1,409	—
Premium income	1,024	1,141	(117)
Investment income	148	245	(97)
Unrealized investment gains (losses) — other comprehensive income (loss)	1,111	(1,463)	2,574
Claim costs	1,322	1,364 ^a	(42)
Non-recurring costs: change in net discount rate used to calculate benefit liabilities	—	487	(487)
Operating costs	167	167	—
Total comprehensive income (loss)	794	(2,095)	2,889
Operational highlights			
Percentage of target asset level achieved (see key objective/ performance indicator #8, page 39)	92%	88%	4%
Aggregate premium rate (see key objective/performance indicator #9, page 42)	\$1.40	\$1.50 ^b	(\$0.10)
Number of insured employers	202,400	201,000	1,400
Number of workers covered	2.1 million	2.2 million	(0.1 million)
Injury rate (see key objective/performance indicator #1, page 27)	2.37	2.96	(0.59)
Number of claims accepted	94,252	128,442	(34,190)

a The 2008 claim costs exclude non-recurring costs (\$487 million).

b This figure has been restated. The 2008 annual report stated an estimate of \$1.51.

c This figure has been restated based on data from Statistics Canada. The 2008 annual report stated this figure as 2.3 million.

felt the impact of less available credit, less consumer purchasing, and fewer available export markets. The slow economic recovery was demonstrated at WorkSafeBC by lower assessment revenues and a longer duration of claims. The upside was a reduction in injury claims reported in 2009.

The implementation of a new claims management system in May 2009 (see page 107) presented an additional challenge for WorkSafeBC. While the implementation initially affected customer service, by year-end, much of WorkSafeBC's business had returned to pre-implementation levels. However, the

payment of health care benefits and the set up of long-term disability pensions are two areas where the impact continues to be greater than anticipated (see Process delay adjustment, page 58). We expect these areas will stabilize in 2010.

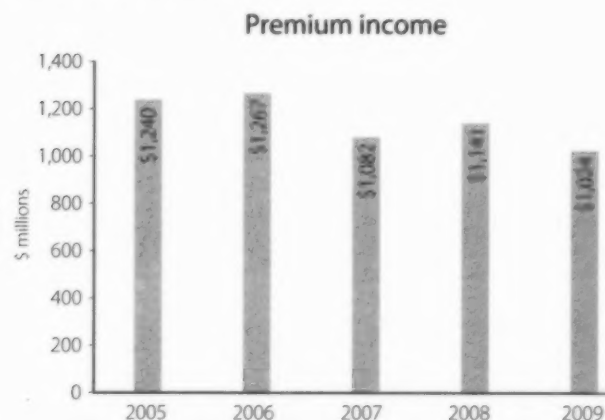
In spite of all these factors, WorkSafeBC still managed to keep the average base assessment rate at its all-time low of \$1.56^c per \$100 of payroll. Because of the establishment of the Capital Adequacy Reserve in 2007,²³ and the mechanisms used in the rate-making process, any increases in premium rates should be small in the short term.

Revenues

At WorkSafeBC, revenues comprise two streams: premium income and investment income (including unrealized gains reported under other comprehensive income). In 2009, the distribution by source was 45 percent premium income and 55 percent investment income, for total revenues of \$2.28 billion. This is in contrast to 2008, when investment losses exceeded the premium income, for a net loss of \$77 million from the two revenue streams.

Premium income

In 2009, premium income decreased to \$1.02 billion — a \$117-million decrease from 2008. While the average base premium rate²² in 2009 was the same as in 2008, the province's assessable payroll decreased by \$1.90 billion (or 2.6 percent), reflecting B.C.'s economic performance. The reduction in premium income was due primarily to lower assessments from the construction and forestry industries.



Premium income comprises mostly assessments received from rateable employers, and, to a much lesser extent, self-insured employers.²⁴ Rateable premium income is derived primarily from total assessable payrolls multiplied by the rate appropriate for each employer.

In 2009, the aggregate premium rate²³ of \$1.40 per \$100 of assessable payroll was the lowest in more than 30 years. In general, the rate has been coming down each year since 2005, and has dropped \$0.57 (29 percent) during that period. This drop can be attributed primarily to a downward trend in overall claim costs from 2001 to 2008,²⁵ robust investment returns from 2003 to 2006 and in 2009, and an increasing assessable payroll base for the province through 2008.

Premiums for self-insured employers were \$9 million lower in 2009, mainly due to lower claim costs for these employers. The premium revenue from self-insured employers reflects a recovery of claim costs paid on behalf of these employers, and an allocation of administration costs to manage the claims from their injured workers.

Premium income reported in the consolidated financial statements is partially based on estimates. The final premium amount for the 2009 assessment year will not be fully known until May 2010, when almost all employers will have submitted their final premium reconciliation statements. To meet the reporting deadlines of the annual report, WorkSafeBC estimated the value of premium income based on financial data from January 2010. Given the uncertainty associated with this estimate, the organization has tended toward a more conservative approach. The difference between the underestimated value of premium income and the final amount has not been more than 1.0 percent in the previous three years. Any

Premium income			
(\$ millions)	2009	2008	Change
Rateable employers	977	1,085	(108)
Self-insured employers	47	56	(9)
Total	1,024	1,141	(117)
Base premium rate	\$1.56	\$1.56	—
Aggregate premium rate	\$1.40	\$1.50 ^a	(\$0.10)
Assessable payroll (\$ billions)	\$69.93	\$71.83 ^b	(\$1.90)

a This figure has been restated. The 2008 annual report stated an estimate of \$1.51.

b This figure has been restated. The 2008 annual report stated an estimate of \$71.01 billion.

difference between the final remittances from employers and the accrued amount resulting from estimates will be recognized as premium income in the following year.

Investment income

In 2009, the investment income of \$148 million was \$97 million lower than in 2008. Investment income relates to transactions that occurred during the year, including interest and dividends received and realized gains or losses on sales.

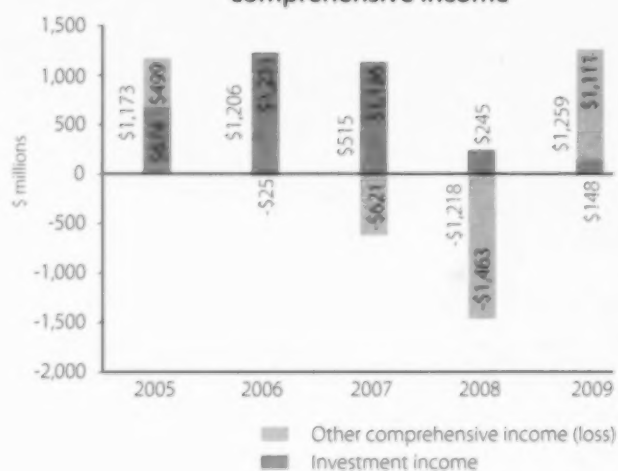
Tactical trading actions within the pool funds managed by WorkSafeBC's portfolio manager, B.C. Investment Management Corporation (bcIMC), resulted in realized gains and losses.

As well, in order to maximize the returns for the Accident Fund, WorkSafeBC's Investment Committee made asset allocation decisions that resulted in the sale and purchase of investments. Because of the market volatility that occurred in 2009, and the need to transition to revised asset allocation targets,²⁶ the Investment Committee's positioning of the portfolio and the related asset movements generated realized net losses in 2009.

If the Accident Fund held an investment and did not sell it in 2009, then any gains or losses on that investment would not be reflected in investment income, except for investments classified as held-for-trading.²⁷ Instead, these unrealized

investment gains or losses would be reflected in other comprehensive income or loss (see the sidebar on the next page). For the total market value investment income or loss, net unrealized market value gains or losses from available-for-sale²⁷ investments (or other comprehensive income or loss) should be added to investment income, as shown in the chart below. The other comprehensive income was \$1.11 billion in 2009, for a total market value investment gain of \$1.26 billion.

Total investment income and other comprehensive income



Investment income

(\$ millions)	2009	2008	Change
Interest and dividends	331	385	(54)
Realized net gains (losses) on sales	(188)	(140)	(48)
Market value gains on held-for-trading investments	5	—	5
Total	148	245	(97)

Other comprehensive income

(\$ millions)	2009	2008	Change
Market value gains (losses) on available-for-sale investments	1,111	(1,463)	2,574

In 2009, the investment portfolio was again positioned defensively, especially in the early part of the year when major equity markets experienced steep losses. After an improvement in capital market conditions and a significant decline in risk and volatility in the second half of the year, WorkSafeBC's Investment Committee gradually repositioned the investment portfolio to its revised target weight. This target weight, established under the investment policy, is still relatively conservative; more than half of the assets are allocated to fixed income and inflation-sensitive investments.

WorkSafeBC was able to recover the investment losses incurred early in 2009, and to break even in total investment income (including unrealized gains reported under other comprehensive income) over the last two years.

See the Portfolio investments section (page 57) for a discussion on total market value investment gain in 2009.

Other comprehensive income or loss

The other comprehensive income or loss line item in the Statement of Operations appears below the operating results line, indicating that it should be viewed in a different context from normal operations. The unrealized market value gains or losses represent market valuations of portfolio investments at the balance sheet date. These gains or losses are subject to market value fluctuations. Since the majority of the portfolio of investments is held to meet payment obligations extending into the distant future, the valuation of the investments provides a snapshot of WorkSafeBC's financial position at a single point in time. Short-term changes in financial markets can produce significant variations in this line item from year to year, as seen in 2008 and 2009. WorkSafeBC's investment policies are designed to meet the long-term duration profile of liabilities. The chart on the previous page combines investment income with other comprehensive income or loss.

Expenses

Claim costs

Claim costs comprise benefit payments and the change in actuarial valuation of benefits. Benefit payments were \$1.25 billion in 2009, a decrease of \$9 million from 2008. WorkSafeBC made these cash payments in 2009 to workers, their survivors or employers, and rehabilitation and health care providers. The breakdown of these payments is as noted in the table on the next page.



Benefit payments

Short-term disability (STD) payments have increased slightly over 2008. The number of injuries and claims were down in 2009, but there was an increase in the average length of time and the average rate a worker was paid while on a claim. The pay period is termed the claim's duration (see key objective/performance indicator #2, page 30). In 2009, duration increased by 13.0 percent to 54.6 days. The total days paid for STD claims in 2009 was 2.9 million days at an average daily rate of \$98.29. This was a 3.3 percent increase in the wage rate of the average worker receiving compensation.

Long-term disability (LTD) payments are the largest set of payments the organization makes on an annual basis. In 2009, these payments were lower due to a decrease in the number of awards. The processing of new pension awards or pension adjustments was slowed, in part due to the adjustment to the new claims management system. As well, in many cases, especially for loss of earnings pensions, workers were being carried on vocational rehabilitation until the determination of the pension award was finalized, which also partially explains

why vocational rehabilitation costs were up compared to 2008. Due to the low inflation rate in 2009, indexation¹⁸ of existing pension awards did not add costs.

Over the past five years, survivor benefit payments have been relatively stable. As was the case with long-term disability payments, indexation of existing awards did not add to the costs in 2009.

In 2009, health care payments were down, partially due to the economy and partially due to the implementation of the new claims management system, which caused some processing delays in payments. The costs associated with the delays were reflected in increased health care benefit liabilities in 2009 (see Process delay adjustment, page 58). One of the benefits of the new system is improved data for analysis, which could improve the quality of decision making on health care items and assist in managing their costs. (We'll know more about this in 2010.)

In 2009, vocational rehabilitation benefit payments increased for the third consecutive year. These expenditures reflect a longer wage-replacement period for workers who received vocational rehabilitation benefits, and an increase in an average worker's daily rate, as previously mentioned.

Claim administration payments are discussed in the operating costs section, on the next page.

Changes in actuarial valuations

In 2009, the changes in actuarial valuations of benefit liabilities totalled \$76 million, including the processing delay in payments (see Process delay adjustment, page 58). The lower total changes in 2009 account for a net decrease in claim costs of \$33 million over 2008. The actuarial valuation changes are based on the recent payment history of various types of benefits, including payments on claims as old as 50 years. WorkSafeBC then uses trend data and price indices to estimate future potential liabilities.

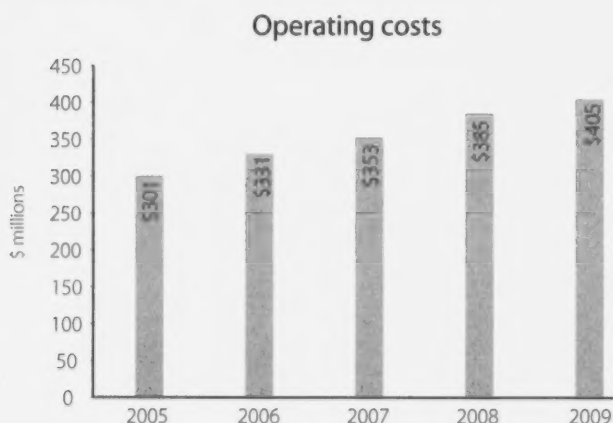
A fundamental part of the actuarial equation is the net discount rate that is used to assess these liabilities (the difference between the assumed future investment return and future inflation rate). In 2008, the Board of Directors approved lowering that rate from 3.5 percent to 3.0 percent, resulting in additional non-recurring claim costs of \$487 million in that year. This rate change was made to reflect more conservative assumptions about the Accident Fund's future investment performance. The 3.0 percent net discount rate was continued in 2009.

Changes in actuarial valuation are non-cash in nature, because they do not get paid out on claims in the current year. They are strictly a reflection of the expected future cost of claims that occurred in the current and previous years.

Claim costs			
(\$ millions)	2009	2008	Change
Benefit payments			
Short-term disability	280	279	1
Long-term disability	362	371	(9)
Survivor benefits	64	63	1
Health care	234	267	(33)
Vocational rehabilitation	68	57	11
Claim administration	238	218	20
	1,246	1,255	(9)
Changes in actuarial valuations of benefit liabilities	76	109	(33)
Non-recurring costs: change in net discount rate used to calculate benefit liabilities	—	487	(487)
Total	1,322	1,851	(529)

Operating costs

In 2009, operating costs were \$20 million higher than in 2008. These results were consistent with expectations for 2009, and were partially due to non-discretionary increases (e.g., WorkSafeBC's employee benefit commitments and other contractual commitments). They were also partially due to increased costs associated with the implementation of the new claims management system in May 2009. In the short term, the implementation resulted in additional administration costs, but in the longer term, management expects the system's efficiencies to reduce administrative costs. We expect to realize these savings beginning in 2010 (see key objective/performance indicator #10, page 43).



In 2009, WorkSafeBC saw increases in salaries and employee benefits of \$9.8 million over 2008. These increases were due mostly to the administrative effort required to implement the new system, and, to a lesser extent, to the negotiated rise in salaries and benefits. The other significant component of the higher administration costs was \$7.7 million in consulting fees. These fees were related to the implementation of the new system, which included the cost of training more than 2,000 employees to use the system.

Other significant cost increases that were offset by cost decreases in other areas include the following: increased facilities maintenance costs, additional costs for prevention campaigns, and higher software maintenance and technical support expenses.

The expenses for injury-reduction initiatives, which increased by \$4 million in 2009, consist primarily of funding that WorkSafeBC provides to various industry associations to administer specialized occupational health and safety programs. The industry association programs are funded through special levies or charges against specific classification units.

Claim administration payments relate to the portion of operating costs incurred to adjudicate claims for compensation, manage claims, and process claim payments. These payments are deducted from the total operating costs to prevent "double counting," because they are already included as a claim cost in the standardized financial statement presentation used by workers' compensation organizations in Canada.

Operating costs			
(\$ millions)	2009	2008	Change
Administration expenses	386	370	16
Injury-reduction initiatives	19	15	4
	405	385	20
Less: Claim administration payments	238	218	20
Total	167	167	—

Balance sheet

The largest and most important components of WorkSafeBC's balance sheet are its portfolio investments and benefit liabilities.

Portfolio investments

The chart below shows the grouping of various types of investments by asset allocation categories. Overall, in 2009, the portfolio increased in value from \$10.40 billion to \$11.31 billion. Most of the increase represents market value gains since the first quarter of 2009 and reflect the recovery of global stock prices. By the end of 2009, the net unrealized market value gains from available-for-sale portfolio investments (reported in the Statement of Operations as other comprehensive income) were \$1.11 billion, and accumulated other comprehensive income was \$179 million.



* The 2005-2008 figures have been restated to reflect the 2009 revision to the asset allocation mix.

In early 2009, as part of its governance responsibility, the Board of Directors conducted a review of the portfolio investment asset allocation policy, and then approved and adopted a revision. The revised asset allocation targets²⁶ allocates less to publicly traded securities and more to inflation-sensitive assets. As a result, the Accident Fund has lower risk in terms of the expected volatility of returns. It is also less vulnerable to higher inflation. These modifications reflect the ongoing commitment by WorkSafeBC to invest its assets prudently, to ensure the financial stability and sustainability of the workers' compensation system.

With the improvement in capital market conditions and a significant decline in risk and volatility in the second half of

the year, WorkSafeBC rebalanced its conservatively positioned portfolio of investments and gradually transitioned it toward the target weight of the new asset allocation mix. By year-end, the investment portfolio consisted of 31 percent fixed income, 43 percent equity, and 26 percent inflation-sensitive assets, compared to the related investment policy targets²⁶ of 33 percent, 39 percent, and 28 percent, respectively.

While no investment is risk-free, the majority of WorkSafeBC's investments, with the exception of cash, are held for the long term in securities of solid sustainable organizations, and in countries with established economies. Over time, the portfolio investments have grown significantly, from \$9.24 billion at the beginning of 2005 to \$11.31 billion at the end of 2009. WorkSafeBC's management anticipates a continuing recovery in the market prices of long-term investments, although these improvements might take some time. In spite of the market turmoil in early 2009, the Accident Fund was able to recover its 2008 losses, and increase the overall surplus at the end of 2009.

In terms of investment performance, the portfolio's 2009 market return was a gain of 8.7 percent,²⁸ compared to a loss of 8.2 percent in 2008. This exceeded WorkSafeBC's minimum return requirement²⁹ for the year of 2.7 percent. However, annual variations in the market return should be viewed in light of longer-term results, shown in the chart below. Since the beginning of 2005, WorkSafeBC has significantly increased its funded position, even after the capital market events of 2007, 2008, and the first quarter of 2009. Over the past five years, the actual amount that assets exceed liabilities has grown from \$1.27 billion to \$2.28 billion. The use of the surplus positions to fund a Capital Adequacy Reserve has helped to keep WorkSafeBC in good stead through the financial crisis that began in 2008 and continued into 2009.

Market return vs. required return



Benefit liabilities

In estimating benefit liabilities, the three most important assumptions underlying the estimates are the net discount rate, the future payment pattern, and the process delay adjustment.

Net discount rate — Expected future benefit payments are discounted to arrive at a present value liability amount. In 2008, the net discount rate was lowered from 3.5 percent to 3.0 percent. If the actual future investment performance were to fall to less than 3.0 percent above inflation, then the liability would be understated. A 1.0 percent change in the discount rate would change liabilities by approximately \$1 billion.

Future payment pattern — The benefit liabilities consist of two major categories, each of which incorporates an estimate of the future payment pattern:

- **Pension awards, capitalized values** — This is the present value of monthly annuities (or pensions) that have already been awarded to workers (long-term disability) or to survivors of deceased workers. The potential estimation error in this \$4.5-billion liability is relatively small, as the awards are known.
- **Provision for unfinalled claims** — This is the present value of future payments on existing claims yet to be awarded. While WorkSafeBC cannot determine the exact measure of the ultimate uncertainty in the estimate of unfinalled claim liability, historical data suggests that the expected uncertainty could range from plus or minus 20 percent, or about \$1 billion.

Process delay adjustment — At 2009 year-end, the provision for unfinalled claims — those which have yet to be awarded — was increased by \$154 million to cover the estimated deficiency in 2009 awards and payments. This deficiency was due to temporary processing delays arising out of the transition to the new claims management system in May 2009. The impact was estimated to be \$74 million for long-term disability, \$54 million for health care, \$16 million for claim administration, and \$10 million for short-term disability. This 2009 estimated delay is expected to be fully processed in 2010 (along with the usual 2010 transactions). The \$154-million adjustment was partially offset by an estimated \$52-million lower pension fund liability than would otherwise have been the case. The process delay adjustment did not increase overall claim costs, because the increase in unfinalled claims liabilities was offset by lower benefit payments.

In 2009, total benefit liabilities showed a modest increase of \$76 million, or about 0.8 percent. The change in actuarial valuation of this liability has been trending downward²⁵ from 2001 to 2008, but it may be close to reaching the end of that trend. Factors such as short-term disability duration, vocational rehabilitation's continued success in returning workers to work, and general economic conditions could all influence a change in the value of the liability. As well, judicial or legislative decisions that change policy or the scope of coverage could also affect the valuation of benefit liabilities.

Benefit liabilities					
(\$ millions)	2009			2008	Change
	Unfinalled claims	Pension awards	Total	Total	
Short-term disability	305	—	305	294	11
Long-term disability	2,071	3,732	5,803	5,929	(126)
Survivor benefits	76	770	846	860	(14)
Health care	1,697	—	1,697	1,531	166
Vocational rehabilitation	181	—	181	167	14
Claim administration	592	—	592	567	25
Total	4,922	4,502	9,424	9,348	76

Reserves

WorkSafeBC maintains a number of reserves, as shown in the table below and described in Note 2(E) of the consolidated financial statements, page 73.

In 2009, there were no changes to the levels of reserves held in the various categories. The largest component of the reserves continues to be the Capital Adequacy Reserve at \$869 million, which was created in 2007 (though funding began in 2005).²³ It was fashioned after the Office of the Superintendent of Financial Institution's (OSFI) capital adequacy test, used in the private insurance sector.

The idea of the Capital Adequacy Reserve was — and continues to be — to set aside funds in the economically good years to ensure the Accident Fund is sustainable throughout the bad years. In 2008, we saw the prudence of this approach. Though a large drop in equity asset values resulted in investment losses of \$1.22 billion, WorkSafeBC's funded position remained positive, albeit significantly reduced.

In 2008, in light of the significant equity losses in that year, WorkSafeBC withdrew \$21 million from the Capital Adequacy Reserve to ensure the 2010 premium rates would not need to be significantly increased, in accordance with the prescribed funding policy. The funding policy also called for a minimum contribution of \$100 million to the Capital Adequacy Reserve in 2009, but this contribution was waived for 2009, pending a review of the operation of this reserve scheduled for 2010.

Results

In 2009, the funding level of the Accident Fund was 124 percent (assets compared to liabilities), and the percentage of the target asset level achieved was 92 percent (assets compared to the target asset requirement level).

At 2009 year end, WorkSafeBC's strong financial position resulted from a total comprehensive income of \$794 million, compared to total comprehensive loss of \$2.10 billion in 2008. The increase is explained almost entirely by the \$2.48 billion change in investment income (including unrealized investment gains reported under other comprehensive income) — a change from losses of \$1.22 billion in 2008 to gains of \$1.26 billion in 2009. In addition, claim costs were lower by \$529 million, but partially offset by lower premium revenues of \$117 million.

WorkSafeBC has recovered from the global financial events of 2008 and continues in a strong funded position. Given the rebalancing of the investment portfolio in 2009, the organization is well positioned to better withstand volatility in the financial markets and inflation risk, while maintaining secure benefits for workers and low premium rates for employers.

Reserves

(\$ millions)	2009	2008	Change
Contingent reserve	3	3	—
Disaster reserve	16	16	—
Enhancement reserve	21	21	—
Latent occupational disease reserve	200	200	—
Earthquake disaster reserve	20	20	—
Research reserve	30	30	—
General reserve	250	250	—
Capital adequacy reserve	869	869	—
Total	1,409	1,409	—

The other seven reserve categories are meant to cover specific risks unique to workers' compensation — risks that are not part of a private insurer's risk profile. They are more long-standing than the Capital Adequacy Reserve, having been in place for some time.

Comparison to plan

Each year, WorkSafeBC prepares pro-forma financial projections as part of its annual business planning process. The performance targets for key objective/performance indicators #8, #9, and #10 (see pages 39, 42, and 43 respectively) are based on these projections. The financial projections are, by design, conservative in nature.

In 2009, the organization's total comprehensive income was \$828 million higher than planned, primarily because of the recovery in the investment markets. Other comprehensive income was \$1.12 billion higher than planned, as discussed in the Investment income (see page 53) and Portfolio investments (see page 57) sections. On the other hand, investment income and premium income were both lower than planned. The reduction in investment income was due to the losses realized on rebalancing the portfolio (mostly in the first half of 2009); and the reduction in premium income was due to lower assess-

ments, primarily in the construction and forestry industries.

Claim costs were close to plan. Higher-than-planned health care and vocational rehabilitation costs were offset by lower-than-planned long-term disability and survivor benefit costs. Operating costs were according to plan for the year, except for the portion of operating costs reclassified to claim costs, and higher expenses for injury reduction initiatives.

Risks

Risk capital

In order to be a financially sound insurer, WorkSafeBC must aspire to meet risk capital tests similar to those imposed on private insurers by regulatory authorities. In Canada, the OSFI regulates banks and insurance companies to ensure they have sufficient capital to back their promises and obligations to customers and policy holders. In 2007, WorkSafeBC's Board of Directors approved the adoption of a capital adequacy policy that sets out a target asset level using a methodology derived from OSFI guidelines. While WorkSafeBC is not subject to OSFI regulatory oversight, its decision to voluntarily adopt a capital coverage target is in keeping with its strategic objective of a financially sustainable system. WorkSafeBC's target asset level is discussed in key objective/performance indicator #8, page 39.

Comparison to plan			
(\$ millions)	2009 actual	2009 plan	Variance
Premium income	1,024	1,130	(106)
Investment income	148	334	(186)
Total revenues	1,172	1,464	(292)
Claim costs	1,322	1,318	(4)
Operating costs			
Administration expenses	386	386	—
Injury-reduction initiatives	19	15	(4)
Less: Claim administration payments	(238)	(227)	11
Total expenses	1,489	1,492	3
Operating surplus (deficit)	(317)	(28)	(289)
Other comprehensive income (loss)	1,111	(6)	1,117
Total comprehensive income (loss)	794	(34)	828
Funding level (AWCBC metric)	124%	115%	9%
Percentage of target asset level achieved	92%	88%	4%

Risk management

Like any organization, WorkSafeBC is susceptible to risks that, if unmitigated, could lead to significant financial consequences. Management has therefore established financial controls, policies, and processes to assist in containing risks. An internal audit department, which reports regularly to the Audit Committee of the Board of Directors, carries out operational and control audits to test for compliance. In addition, the Audit Committee receives semi-annual reporting on key risk factors, including an assessment of the potential impact and likelihood of occurrence of the identified risks, and an assessment of the effectiveness of risk management procedures. The remainder of this section discusses the key financial risks. (See Appendix C, page 104, for a discussion of some of the other risk factors in WorkSafeBC's operating environment.)

Economic risks

In 2010, should economic recovery slow down, WorkSafeBC could see lower premium income and higher claim costs. A change in B.C.'s employment base is a key determinant of the premium income and, indirectly, the claim costs. In 2009, the assessable payroll decreased, most significantly in the construction and forestry industries, reflecting the economic downturn. At the same time, short-term claim duration increased, which is partially due to fewer return-to-work options for injured workers. The higher the average duration, the higher the claim costs, and vice versa.

Conversely, lower employment in the higher risk construction and forestry industries could further lower the average injury rate, and thus, lower claim costs. As well, a low inflation rate, such as that experienced in 2009, could result in a smaller increase to claim costs because WorkSafeBC's future short-term disability, long-term disability, and survivor benefits are indexed by legislation against the annual increase in the consumer price index (CPI).

Benefit costs risks

Benefit costs, especially those related to high-cost injuries that lead to long-term disability, are susceptible to many variables. These include employers' return-to-work practices, WorkSafeBC's effectiveness in managing claims, and the results of appellate decisions. In the past, the appellate result variable has been the most unpredictable and potentially costly risk factor. At the end of 2009, the number of appeals pending resolution at the Workers' Compensation Appeal Tribunal totalled 3,228. In the past, the year-end numbers were

as follows: 2,958 in 2008; 3,616 in 2007; 4,013 in 2006; 4,960 in 2005; and 9,944 in 2004. This substantial reduction has allowed WorkSafeBC to factor the results into its actuarial estimates of liability, and thus reduce the unknown risk factor to more predictable levels.

Potential changes to legislated benefits and expanded coverage of diseases and conditions, such as chronic pain and work-related chronic stress, pose additional risks to benefit costs. This is especially true if those changes are applied retroactively. If introduced in B.C., these changes could carry substantial financial liability risk. Also, the province faces the risk of widespread disease, such as pandemic influenza, which could affect large portions of the working population. The result of such an outbreak could be significantly increased benefit costs.

While these types of risks are not controllable, WorkSafeBC has a reserve for latent occupational disease. In 2006, the organization also established a general reserve for special circumstances that have significant cost implications, such as potential legislated benefit changes and court decisions. In addition, as previously described, WorkSafeBC has a capital adequacy policy in place to help mitigate these risks.

Investment performance risks

WorkSafeBC's investment policy shapes a prudent portfolio that has macro-target allocations of 33 percent fixed income, 39 percent equity, and 28 percent inflation-sensitive assets. If circumstances warrant it, there is room for discretionary movement within asset classes.

The Board of Directors is responsible for setting WorkSafeBC's investment policy. It assigns the oversight and asset allocation decisions (within approved ranges) to an Investment Committee consisting of independent external members (professionals in investments or economics) and internal members (WorkSafeBC's President and Chief Executive Officer, Chief Financial Officer, and Chair of the Audit Committee). The policy prescribes that appropriate safeguards and controls must be in place to mitigate risks.

The Board of Directors and WorkSafeBC's Investment Committee have also established processes and reporting requirements to ensure that the organization's investment portfolio manager, bclMC, has adequate internal controls and risk-mitigation procedures in place. In addition, an external public accounting firm annually audits bclMC's internal controls, and their audit reports⁵⁰ are made available to WorkSafeBC. To date, no serious audit concerns have been raised by bclMC's external auditor

regarding bclMC's internal controls or the reliability of the pooled investment funds information.

Some investment risks cannot be directly controlled, such as significant market swings, geopolitical events, and interest rate changes driven by international monetary, fiscal, and trade policies. In 2009, for the second year in a row, the world witnessed much of this volatility in the marketplace. The fact that WorkSafeBC remains in a surplus position after this downturn shows that it was well-positioned to handle substantial investment risk.

Management continues to look for ways to mitigate overall investment risk. WorkSafeBC has adopted the Value at Risk (VaR) measure for the portfolio of investment. The Investment Committee regularly uses this additional tool to monitor, analyze, and evaluate the inherent risk in the portfolio. VaR is a statistical technique that is used to estimate the potential loss in value of an investment as a result of movements in market rates and prices over a specified time period and for a specified confidence level. WorkSafeBC's Board of Directors has approved a portfolio asset mix policy and the related level of investment risk. WorkSafeBC monitors the VaR of the actual portfolio relative to the policy portfolio on a quarterly basis to ensure that the level of risk is acceptable.

Additional disclosure on WorkSafeBC's investment risk management is provided in Note 4 of the consolidated financial statements (see page 75).

Future outlook

In 2009, WorkSafeBC outperformed its investment targets or expectations because of the phenomenal recovery in the financial markets. However, the implementation of the new claims management system in May 2009 had unexpected consequences. For example, it took longer (and in some cases, continues to take longer) than anticipated to return to the usual production levels. In 2009, the B.C. economy fully entered the recession as well, resulting in lower premium income, fewer injuries, and higher claim duration.

Given that B.C.'s economic recovery could take longer than expected, and that the 2010 Winter Olympics will likely overshadow everything else in B.C. during the first quarter of 2010, management's assumptions built into the three-year forecast include:

- An increasing CPI during 2010 that will likely level off into 2011; any CPI concerns are expected to be beyond the scope of the three-year plan
- No growth or very minor growth in the size of B.C.'s workforce
- Investment returns at the long-term average expected rate of return
- Average unfinalled claim costs to remain flat at the 2008 level (2009 unfinalled claim costs were lower than the norm)

While projections do not necessarily predict the future, they help WorkSafeBC's management make qualitative assessments of its likely results. As part of this forecasting process, management continually monitors leading indicators and performance measures related to inflation, the provincial injury rate, investment returns, and claim costs.

As management looks forward, it sees the following issues shaping the next three years:

- WorkSafeBC's focus on customer service beginning to take hold. With the CMS implementation behind us, and a wealth of information at our fingertips, we expect claim-administration management and staff to continue their focus on our customers — the workers and employers of B.C.
- The economic recovery in B.C. As the economy begins to recover (and there are early signs of this now), the challenge will be to ensure that the rebuilding of employer payrolls does not generate additional claims, so that the injury rate (especially the serious injury rate) will continue to decline. Since this province benefits from primary resource extraction and development, the economy will depend on finding markets for these types of assets. To that end, B.C.'s recovery will likely be tied to recovery in other areas of the world, especially the U.S.

- The world economy reshaping itself. From a Canadian perspective, the previous economic drivers of the world economy have been as follows (in no particular order): the U.S. consumer, China as a consumer state, the price of oil, the Canadian currency exchange rate with the U.S., and inflation. Heading into 2010, and for the next while, this is not expected to change. What is different is that the U.S. and European governments, and their deficits and overall debt, will likely be a focus of discussion beginning at the end of 2010. The mid-term U.S. elections in November 2010 will provide a focus for all things costly in the U.S. and that will include auto industry and bank bail-outs, a high unemployment rate, and health care reform. For Canada, this will likely translate into a discussion about inflation and currency.
- In 2010, the big question is whether or not there will be a retrenching of the economy in North America. With all the recovery signs, it seems counter-intuitive to expect a downturn, yet the voices speaking of a second collapse of the markets appear to be growing louder. Is part of that just that it's easier to be pessimistic and wrong, than to be optimistic and wrong? Time will tell. WorkSafeBC's forecasts are built on slow steady growth with a levelling-off in inflation going into 2011. So, being conservative, these forecasts are probably on the pessimistic side.

Accounting standards

The pro-forma financial projections are based on current Canadian generally accepted accounting principles (GAAP). Over the next two years, accounting standards in Canada will be changing as International Financial Reporting Standards (IFRS) are incorporated into Canadian GAAP. In February 2008, the Canadian Accounting Standards Board confirmed that full implementation of IFRS will be required for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011.

The aspects of IFRS that will have the greatest impact on WorkSafeBC are those that deal with insurance contracts, financial instruments, capital assets, pensions, and other post-employment benefits.

The table on the following page summarizes WorkSafeBC's IFRS changeover plan, including a progress assessment as of December 31, 2009. The International Accounting Standards Board has numerous activities underway that may change the current IFRS and have a significant impact on WorkSafeBC. These activities are being monitored to assess the impact, if any, of proposed revisions in standards on WorkSafeBC's accounting policy choices. Some of the anticipated changes may be in effect after WorkSafeBC's transition date, which means that changes to WorkSafeBC's accounting policies may extend beyond the transitional year.

A summary of WorkSafeBC's IFRS changeover plan

Key activity	Milestones / deadlines	Status at December 31, 2009
Financial statement preparation <ul style="list-style-type: none"> • Identification of differences in Canadian GAAP/IFRS accounting policies and choices • Selection of accounting policies under IFRS • Selection of IFRS 1 accounting policy choices • Quantification of IFRS 1 elections • Preparation of financial statement model, including disclosure format • Preparation of 2010 comparative financial statements 	<ul style="list-style-type: none"> • Ready for conversion on January 1, 2011 • Quantification of IFRS 1 elections by end of 2009 	<ul style="list-style-type: none"> • Discussion papers prepared for all financial statement items, including identification and recommendation of preferred significant accounting policy choices, and financial and operational impacts • Participation in IFRS working groups for information sharing — Canadian workers' compensation organizations, and B.C. public sector entities • Quantified IFRS 1 and post-transition policy choices • IFRS financial statement modeling substantially completed
Infrastructure: IFRS expertise <p>IFRS training and development at all levels:</p> <ul style="list-style-type: none"> • Corporate accounting managers and staff • Operating divisions' financial service managers and staff • Senior executive and Board level, including Audit Committee 	<ul style="list-style-type: none"> • Ready for transition on January 1, 2010 	<ul style="list-style-type: none"> • In-depth IFRS training for corporate accounting managers and staff completed • IFRS and accounting policy presentations completed for finance management and Audit Committee • Communication and training plan completed for operational staff
Infrastructure: Information technology <ul style="list-style-type: none"> • Systematic processing changes • Program upgrades/changes • One-off calculations (IFRS 1) • Disclosure data gathering • Capital asset system • Budget/plan/forecast monitoring process 	<ul style="list-style-type: none"> • Parallel processing of 2010 general ledgers and planning/monitoring processes by mid-2010 	<ul style="list-style-type: none"> • Scoping study and resource assessment completed • Development of IFRS-compliant capital asset system completed; implementation effective January 2010 • Completed assessment and implementation plans for modifications required for IFRS general ledgers and processes
Operational assessment <ul style="list-style-type: none"> • Rate-setting • Capital adequacy • Key objective/performance indicators • Business planning and budgeting • Business case procedures and guidelines • Communication with stakeholders 	<ul style="list-style-type: none"> • Impact study and revised policy/measures completed by fourth quarter, 2009 	<ul style="list-style-type: none"> • Completed identification and assessment of all significant operational impacts and key objectives/performance indicators • Revision of capitalization policy and business case procedures and guidelines completed

Financial Review

Financial Review

Responsibility for financial reporting

WorkSafeBC's management is responsible for the preparation of the accompanying consolidated financial statements in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include some amounts based on management's best estimates and judgments.

Management is responsible for the integrity and fairness of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the consolidated financial statements and other financial information included in this annual report.

The Audit Committee assists the Board of Directors in discharging its responsibilities. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external actuaries, and internal and external auditors concerning internal controls and all other matters relating to financial reporting.

WorkSafeBC's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC.

Eckler Ltd. has been appointed as the independent peer review actuary to WorkSafeBC. Its role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC and to report thereon in accordance with accepted actuarial practice.

The Internal Audit department performs audits designed to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

WorkSafeBC's external auditor is the Auditor General of British Columbia. The Auditor General has full and unrestricted access to the Audit Committee. The Auditor General has performed an independent audit of the consolidated financial statements of WorkSafeBC, in accordance with Canadian generally accepted auditing standards. The Auditor General's report outlines the scope of this independent audit and his opinion on the consolidated financial statements of WorkSafeBC.



David Anderson
President and Chief Executive Officer
WorkSafeBC



Steve Barnett, CA
Chief Financial Officer
WorkSafeBC

March 15, 2010



Report of the Auditor General of British Columbia

*To the Board of Directors of the Workers' Compensation Board of British Columbia, and
To the Minister of Labour, Province of British Columbia*

I have audited the consolidated balance sheet of the *Workers' Compensation Board of British Columbia* (WorkSafeBC) as at December 31, 2009 and the consolidated statements of operations, changes in unappropriated balance and accumulated other comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of WorkSafeBC as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
March 18, 2010*

John Doyle, MBA, CA
Auditor General

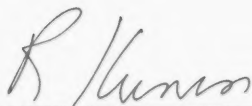
Consolidated balance sheet
as at December 31, 2009 (\$ thousands)

Exhibit 1

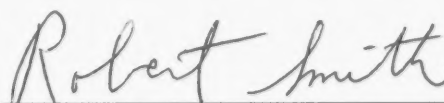
	2009	2008
Assets		
Receivables (Note 3)	491,698	514,471
Portfolio investments (Note 4)	11,314,406	10,400,437
Capital assets (Note 6)	163,822	167,414
Total assets	11,969,926	11,082,322
Liabilities and funded position		
Payables and accruals (Note 7)	264,396	246,488
Benefit liabilities (Note 8)	9,424,103	9,347,925
Total liabilities	9,688,499	9,594,413
Reserves (Note 10)	1,409,000	1,409,000
Unappropriated balance (Exhibit 3)	693,890	1,011,478
Accumulated other comprehensive income (loss) (Exhibit 3)	178,537	(932,569)
Total funded position	2,281,427	1,487,909
	11,969,926	11,082,322

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of WorkSafeBC's Board of Directors:



Roslyn Kunin, CM, ICD.D
Chair
WorkSafeBC



Robert Smith
Chair of Audit Committee
WorkSafeBC

Consolidated statement of operations
for the year ended December 31, 2009 (\$ thousands)

Exhibit 2

	2009	2008
Revenues		
Premiums (Note 11)		
Rateable employers.....	958,010	1,070,244
Self-insured employers (Note 12)	47,291	55,840
Levy for injury-reduction initiatives.....	19,199	15,235
	<u>1,024,500</u>	<u>1,141,319</u>
Investments (Note 4)		
Earned income	331,330	384,371
Realized gains (losses) on investments.....	(188,110)	(139,514)
Unrealized gains on held-for-trading investments	4,455	—
	<u>147,675</u>	<u>244,857</u>
Total revenues.....	<u>1,172,175</u>	<u>1,386,176</u>
Expenses		
Claim costs (Note 9)		
Benefit payments.....	1,245,750	1,254,503
Changes in actuarial valuation of benefit liabilities	76,178	108,573
	<u>1,321,928</u>	<u>1,363,076</u>
Operating costs (Note 13)		
Administration costs	386,159	370,091
Funding for injury-reduction initiatives.....	19,199	15,235
	<u>405,358</u>	<u>385,326</u>
Less: Claim administration payments	(237,523)	(217,917)
	<u>167,835</u>	<u>167,409</u>
Total expenses.....	<u>1,489,763</u>	<u>1,530,485</u>
Surplus (deficit) before non-recurring expenses.....	(317,588)	(144,309)
Non-recurring expenses (Note 8)	—	(487,364)
Surplus (deficit) from operations	<u>(317,588)</u>	<u>(631,673)</u>
Other comprehensive income (loss)		
Unrealized gains (losses) on available-for-sale investments (Note 4)	1,111,106	(1,463,026)
Total comprehensive income (loss)	<u>793,518</u>	<u>(2,094,699)</u>

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in unappropriated balance
and accumulated other comprehensive income
for the year ended December 31, 2009 (\$ thousands)

Exhibit 3

	2009	2008
Unappropriated balance — January 1.....	1,011,478	1,622,151
Surplus (deficit) from operations (Exhibit 2)	(317,588)	(631,673)
Withdrawal from Capital Adequacy Reserve	—	21,000
Unappropriated balance — December 31	693,890	1,011,478
Accumulated other comprehensive income (loss) — January 1	(932,569)	530,457
Other comprehensive income (loss) (Exhibit 2).....	1,111,106	(1,463,026)
Accumulated other comprehensive income (loss) — December 31	178,537	(932,569)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows
for the year ended December 31, 2009 (\$ thousands)

Exhibit 4

	2009	2008
Cash obtained from (used for) operating activities		
Cash received from:		
Employers.....	1,057,941	1,131,863
Dividends and interest.....	334,068	366,214
	<u>1,392,009</u>	<u>1,498,077</u>
Cash paid to:		
Claimants or third parties on behalf of claimants.....	(1,008,226)	(1,036,587)
Employees and vendors for goods and services.....	(370,001)	(325,375)
	<u>(1,378,227)</u>	<u>(1,361,962)</u>
Cash flow from operating activities.....	13,782	136,115
Cash obtained from (used for) investing activities		
Net sale (purchase) of portfolio investments.....	113,122	(197,466)
Net sale (purchase) of capital assets.....	(24,531)	(37,987)
Cash flow from (used in) investing activities.....	88,591	(235,453)
Net increase (decrease) in cash and cash equivalents.....	102,373	(99,338)
Cash and cash equivalents — January 1.....	(120,000)	(20,662)
Cash and cash equivalents — December 31.....	(17,627)	(120,000)

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements for the year ended December 31, 2009

NOTE 1 — NATURE OF OPERATIONS

WorkSafeBC administers the *Workers Compensation Act* (the Act), enacted by the British Columbia Legislature in 1917. The Act was amended by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

The primary functions of WorkSafeBC under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. WorkSafeBC may also levy a special premium when it is considered appropriate.

WorkSafeBC does not receive government funding or other assistance. It is, however, required by the Act to maintain an Accident Fund sufficient to meet all present and future costs (liabilities) for injuries arising in the current and previous years. The financial strategy of WorkSafeBC is to accumulate adequate capital reserves to mitigate against the risks in its assets and liabilities. Any balances in the unappropriated balance are to be amortized on a five-year averaging basis through adjustments to future premium rates. While Canadian generally accepted accounting principles are applied for the purpose of disclosing its consolidated financial statements, WorkSafeBC applies a smoothed investment accounting method for its funding policy (see Financial Context, page 12). This funding policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of WorkSafeBC have been prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies have been adopted by the organization:

(A) BASIS OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities, revenues, and expenses of all variable interest entities (VIEs) for which WorkSafeBC is determined to be the primary beneficiary (see Note 5). Inter-company balances and transactions have been eliminated.

(B) PORTFOLIO INVESTMENTS

WorkSafeBC invests in long- and short-duration fixed-term investments, publicly traded equities, real estate holdings, private placement investments, and derivative financial instruments, on a segregated basis (held directly), and through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the *Public Sector Pension Plans Act*. Fixed-term investments having terms greater than one year consist primarily of bonds of the Government of Canada, provincial governments, Crown corporations, and high-quality corporations, as well as real-return bonds and fixed-term mortgages. Fixed-term investments having terms less than or equal to one year consist primarily of treasury bills and other money market instruments.

WorkSafeBC's fixed-term, equity, and real estate investments are designated as available-for-sale investments. They are reported at fair value, except for investments in private placements and foreign real estate, which do not have quoted market prices in the active market and are therefore reported at cost. The amounts by which fair values for these investments differ from costs represent unrealized gains or losses and are recognized in other comprehensive income or loss. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the statement of operations.

WorkSafeBC's investment in bcIMC's currency hedging funds is composed primarily of derivative financial instruments. WorkSafeBC also has directly held currency hedging forward contracts. The derivative financial instruments are stated at fair value, and are classified as held-for-trading, with changes in fair value reflected in investment income as unrealized gains or losses.

All realized gains or losses from the sale of pooled fund units and segregated investments are recognized in investment income in the year of disposition. Realized gains or losses also include net annual realized trading gains or losses allocated to

NOTE 2 — CONTINUED

WorkSafeBC from the various pooled fund products included in WorkSafeBC's investment portfolio. Investment income also includes interest and dividends earned, and it is reduced by investment expenses incurred during the year.

WorkSafeBC utilizes trade date accounting for all purchases and sales of financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date), and not on the date the transaction is finalized (the settlement date). If the transaction involves interest, the interest is recorded on the settlement date.

The fair value of investments is market value. The market value of publicly traded investments and forward foreign exchange contracts is based on quoted prices, while that of domestic real estate investments is based on independent appraisals.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the exchange rates in effect on the transaction date. The foreign currency exchange gains or losses for these investments are recorded in the same manner as other investment gains or losses for these investments.

(C) CAPITAL ASSETS

Capital assets are reported at cost and amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of assets are as follows:

Buildings.....	20 to 40 years
Equipment.....	3 to 5 years
Furniture.....	10 years
Vehicles.....	7 years
Operating systems.....	5 to 10 years
Computer software.....	3 years

Operating systems represent the direct costs incurred in developing new systems that are deferred and amortized on a straight-line basis from the date the asset is available for use.

(D) BENEFIT LIABILITIES

WorkSafeBC determines its liabilities at the end of each year for all injuries that have taken place to that time.

WorkSafeBC appoints an independent consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to WorkSafeBC. The opinion of the consulting actuary is appended to these consolidated financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by applicable legislation, policies, and/or administrative practices in respect of existing claims.

Benefit liabilities fall into three categories:

- The capitalized value of future monthly payments for pension awards already made
- A provision for future payments on claims that have not been finalized to date
- The capitalized value of the estimated future cost of administering existing claims

These benefits are calculated using a real discount rate of 3.0 percent — that is, the assumption is that investment income will be earned at an annual rate 3.0 percent higher than the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates that are used in calculating the various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

Factor	Net discount rate
Health care inflation	0.5%
Wage growth	2.0%
Claim administration inflation	2.5%
Benefits indexed to inflation minus 1%	4.0%

As in prior years, the benefit liabilities make no provision for future claims related to long-latency occupational diseases, because the determination of such claims cannot be reasonably estimated. However, a \$200-million reserve was established in prior years to mitigate future claims relating to such diseases.

(E) RESERVES

Special reserves

The \$40-million Accident Fund special reserves established pursuant to Section 39 of the *Workers Compensation Act* are:

- Contingent Reserve (Section 39(1)(b)), which provides a reserve in aid of industries or classes that may become depleted or extinguished

NOTE 2 — CONTINUED

- Disaster Reserve (Section 39(1)(d)), which provides a reserve to meet the loss arising from a disaster or other circumstances that WorkSafeBC considers to be an unfair burden to the employers in a particular class
- Enhancement Reserve (Section 39(1)(e)), which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations, but they are prorated to the various employer classes rather than being charged directly to any specific class.

Latent Occupational Disease Reserve

WorkSafeBC established a \$200-million Latent Occupational Disease Reserve relating to occupational diseases that may have occurred in the current year or in prior years, but will not be reported or recognized for a number of years, due to the extended latency periods of such diseases.

Earthquake Disaster Reserve

A \$20-million Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

Research Reserve

The \$30-million Accident Fund Research Reserve, established pursuant to Section 111 of the *Workers Compensation Act*, is a reserve for the purpose of funding initiatives in scientific study, as well as disseminating and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's strategic plan. The \$30-million reserve will remain intact, while investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, will be directed to funding research. The management and fiduciary responsibility over the reserve is indivisible from the Accident Fund and may not be transferred to any other body or organization.

General Reserve

In 2006, WorkSafeBC established a \$250-million General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes, that may impact significantly on the organization's consolidated financial statements and the assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if necessary, adjusted each year based on emerging circumstances, including pending legislation. This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

Capital Adequacy Reserve

WorkSafeBC established a Capital Adequacy Reserve in 2007 to ensure it maintains an asset level for the Accident Fund that is adequate to mitigate against the risks in its assets and liabilities. The Capital Adequacy Reserve balance was \$869 million at December 31, 2009. Funds will be appropriated from the unappropriated balance into the Capital Adequacy Reserve, based on an internal policy, until the reserve is built up to the target Capital Adequacy Reserve level determined using a methodology derived from the federal Office of the Superintendent of Financial Institutions (OSFI) capital reserve guidelines. Note that although WorkSafeBC is not subject to regulatory oversight by OSFI, it seeks to provide security for worker benefits comparable to that required of private insurers regulated by OSFI.

(\$ thousands)	2009	2008
Capital Adequacy Reserve.....	869,000	869,000
Target Capital Adequacy Reserve level.....	2,732,000	2,445,000

The target Capital Adequacy Reserve level is affected by the value of assets and liabilities to which risk factors (derived from OSFI guidelines) are applied.

(F) PREMIUM INCOME AND ACCRUED PREMIUMS RECEIVABLE

As a significant portion of premium income for the year is not received until after year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

(G) SELF-INSURED EMPLOYERS

Certain employers are self-insured. These employers are billed on a monthly basis for payments of short-term disability, health care, vocational rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of WorkSafeBC administration costs.

The receivable in Note 3 represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined. It also includes any unpaid current billings.

WorkSafeBC acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

NOTE 2 — CONTINUED

(H) USE OF ACCOUNTING ESTIMATES

In accordance with Canadian generally accepted accounting principles, WorkSafeBC's consolidated financial statements include management's best estimates of the reported amounts of assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results may differ from management's estimates by significant amounts. Claim benefit liabilities and accrued premiums are the most significant items that reflect estimates in these consolidated financial statements.

(I) CHANGES IN ACCOUNTING POLICY

In 2009, WorkSafeBC adopted amendments to Section 3862 (Financial Instruments — Disclosures) of the *Canadian Institute of Chartered Accountants (CICA) Handbook*.

The amendments to Section 3862 require enhanced disclosure of a three-level hierarchy of inputs for the determination of the fair values of financial instruments. The new disclosures required are included in Note 4 of these consolidated financial statements.

(J) FUTURE ACCOUNTING AND REPORTING CHANGES *International Financial Reporting Standards (IFRS)*

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises will be required to report under IFRS beginning in 2011. IFRS will then replace Canadian generally accepted accounting principles. WorkSafeBC will begin reporting its consolidated financial statements in accordance with IFRS on January 1, 2011.

WorkSafeBC has progressed through an IFRS conversion project and is evaluating the impact of the initial application and post transition effects of these standards on the consolidated financial statements.

NOTE 3 — RECEIVABLES (\$ THOUSANDS)

	2009	2008
Premiums.....	22,800	27,114
Accrued premiums.....	225,238	241,862
Self-insured employers — receivable.....	169,130	178,329
Premiums receivable.....	417,168	447,305
Self-insured employers — deposits.....	(37,920)	(19,911)
Accrued benefit asset of employee pension plan (Note 15).....	99,571	83,600
Other receivables.....	12,879	3,477
	491,698	514,471

NOTE 4 — PORTFOLIO INVESTMENTS (\$ THOUSANDS)

	2009	2008
(A) PORTFOLIO INVESTMENTS		
Investments in pooled funds, at market value		
Money market fund.....	38,066	200,034
Bond funds.....	2,994,594	3,759,531
Mortgage funds.....	522,133	455,047
Canadian index equity fund.....	1,246,913	708,336
Active Canadian equity funds.....	1,091,637	791,174
U.S. index equity fund.....	163,065	80,167
Active U.S. equity funds.....	587,598	468,987
International index equity funds.....	78,324	15,365
Active international equity funds.....	996,860	898,270
Global active equity fund.....	100,583	—
Emerging markets equity fund.....	243,749	—
Currency hedging funds.....	3,837	51,128
Domestic real estate fund.....	1,423,953	1,546,362
	9,491,312	8,974,401

NOTE 4 — CONTINUED

	2009	2008
Investments held directly, at market value		
Bank float	(17,627)	(120,000)
Real-return bonds	702,200	613,651
Currency hedging contracts	4,492	—
	<u>689,065</u>	<u>493,651</u>
Investments held through investment corporations, at cost (Note 5)		
Foreign real estate	177,474	150,263
Private placements	956,555	782,122
	<u>1,134,029</u>	<u>932,385</u>
	11,314,406	10,400,437
(B) INVESTMENT INCOME		
Interest income	182,864	224,909
Dividends and other earned income	148,466	159,462
Earned income	331,330	384,371
Realized gains (losses) on investments	(188,110)	(139,514)
Unrealized gains on held-for-trading investments	4,455	—
	<u>147,675</u>	<u>244,857</u>
(C) GAINS (LOSSES) ON PORTFOLIO INVESTMENTS		
Realized gains (losses) on portfolio investments		
Fixed-term pooled funds and fixed-term investments held directly	80,684	110,641
Equity and real estate pooled funds and investments held through investment corporations	(292,277)	(187,324)
Currency hedging pooled funds	23,483	(62,831)
	<u>(188,110)</u>	<u>(139,514)</u>
Unrealized gains (losses) on held-for-trading investments		
Currency hedging pooled funds	(37)	—
Currency hedging contracts held directly	4,492	—
	<u>4,455</u>	<u>—</u>
Unrealized gains (losses) on available-for-sale investments		
Fixed-term pooled funds and fixed-term investments held directly	86,292	(101,753)
Equity and real estate pooled funds	1,024,814	(1,361,273)
	<u>1,111,106</u>	<u>(1,463,026)</u>

The portfolio investments are all designated as available-for-sale, except for currency hedging pooled funds and contracts, which are designated as held-for-trading. The disclosure in (A) shows the investments in pooled funds by type of fund, while investments held directly are shown by type of investment. Many of the pooled funds hold cash, net receivables, and/or

small amounts of other investments outside of their primary investment focus. For the purpose of describing WorkSafeBC's exposure to investment risk, WorkSafeBC's share of the net assets held in pooled funds is shown by type of investment on the next page. It is combined with the investments held directly to show total holdings by type of investment.

NOTE 4 — CONTINUED

		2009		2008
	WorkSafeBC's share of net assets of pooled funds	Investments held directly and through investment corporations	Total	Total
Cash and net receivables, at market value.....	41,845	(17,627)	24,218	(87,524)
Money market investments, at market value	130,976	—	130,976	303,183
Bonds, at market value	2,934,165	702,200	3,636,365	4,358,994
Mortgages, at market value.....	513,534	—	513,534	412,289
Public equities, at market value	4,446,195	—	4,446,195	2,957,881
Derivatives, at market value	644	4,492	5,136	(23,133)
Domestic real estate, at market value.....	1,423,953	—	1,423,953	1,546,362
	9,491,312	689,065	10,180,377	9,468,052
Foreign real estate, at cost.....	—	177,474	177,474	150,263
Private placements, at cost.....	—	956,555	956,555	782,122
	9,491,312	1,823,094	11,314,406	10,400,437

FAIR VALUE HIERARCHY

The portfolio investments have been classified into a three-level fair value hierarchy. The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that WorkSafeBC has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1 quoted prices. Level 2 inputs consist of the following: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (e.g., markets that have few transactions and prices that are not current or price quotations that vary substantially); (iii) inputs other than quoted prices that are observable (e.g., interest rates, yield curves, volatilities, credit

risks, and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

- Level 3 inputs are unobservable inputs. These inputs reflect assumptions about market pricing using the best internal and external information available, and are supplied to WorkSafeBC by bclMC. The valuation approaches applied are the most suitable and appropriate for the type of investments.

The fair values of portfolio investments are adjusted to incorporate the counter-party risk of non-performance. In certain situations, WorkSafeBC uses inputs to measure the fair value of asset positions that fall into different levels of the fair value hierarchy. In these situations, WorkSafeBC will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. As of December 31, 2009, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and net receivables/payables.....	24,218	—	—	24,218
Fixed-term investments.....	—	4,280,875	—	4,280,875
Derivatives.....	—	5,136	—	5,136
Equities and real estate	4,436,117	10,078	1,423,953	5,870,148
Total portfolio investments at fair value	4,460,335	4,296,089	1,423,953	10,180,377

In 2009, there were no significant transfers of investments between Level 1 and Level 2.

NOTE 4 — CONTINUED

Portfolio Investments measured at a fair value on a recurring basis used significant unobservable inputs (Level 3):

	Portfolio investments valued using Level 3 inputs
Opening balance as at January 1, 2009.....	1,546,352
Realized and unrealized gains included in investment income	3,024
Unrealized gains (losses) included in other comprehensive income	(136,244)
Purchases.....	226,744
Settlements.....	(257,824)
Effect of change in share of unit holdings	41,901
Closing balance as at December 31, 2009.....	1,423,953

Unrealized losses of \$529 million attributable to assets held at December 31, 2009 are included within the losses in the Level 3 equity instruments.

Level 3 investments are primarily comprised of investments in a real estate pooled fund, with property holdings in office, retail, residential, industrial, hospitality real estate, and other real estate enterprises. The potential impact of possible alternative assumptions on the fair value of the pool is not determinable, due to the nature of the independent appraisals for each real estate property and the use of other valuation techniques for real estate enterprises. The fair values are determined using the most appropriate appraisal method for each property and the most appropriate valuation technique for real estate enterprises. The effect of change in share of unit holdings reflects the impact on WorkSafeBC's proportionate holdings within the pool, resulting from other pool participants either entering or exiting the pool.

INVESTMENT RISK MANAGEMENT

The Board of Directors of WorkSafeBC is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds under Section 82(2)(c) of the Act. To that end, the Board of Directors has developed a risk budget specifying the acceptable amount of financial risk for investing the funds on a prudent basis to achieve reasonable returns. To assist them in discharging these responsibilities, the Board of Directors has appointed an Investment Committee consisting of internal, Board-nominated, and independent external voting members. This committee manages WorkSafeBC's investment portfolio under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, the management and investment of the portfolio is carried out by bclMC. The Accident Fund invests in short-term money market investments, bonds, equities, currency hedges, mortgages, real estate, and private placements through pooled funds and investment corporations managed by bclMC; and invests in real-return bonds and currency hedging contracts managed on a segregated basis (held directly).

CREDIT RISK MANAGEMENT

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Therefore, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a credit rating of at least BBB in order to be eligible for consideration by WorkSafeBC as a direct investment. For indirect investments in pooled funds, WorkSafeBC mitigates credit risk exposure by ensuring the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating, as determined by bclMC's internal credit rating process, and a well-diversified portfolio with limited exposure to any one entity, industry, or country. The credit ratings of WorkSafeBC's fixed-income securities at December 31, 2009, are listed in the table on the next page. Government and corporate bonds are held through pooled funds, and real-return bonds are held directly by WorkSafeBC.

NOTE 4 — CONTINUED

Credit rating	2009		2008					
	Indirect investment		Direct investment					
	Government bonds	Corporate bonds	Real-return bonds	Total	Composition	Total	Composition	
AAA/AA.....	1,487,035	354,040	640,058	2,481,133	68%	3,631,922	83%	
A.....	396,255	502,291	62,142	960,688	27%	652,969	15%	
BBB.....	—	186,980	—	186,980	5%	52,929	1%	
Unrated.....	—	7,564	—	7,564	—	21,174	1%	
Total, at market value.....	1,883,290	1,050,875	702,200	3,636,365	100%	4,358,994	100%	

FOREIGN EXCHANGE RISK MANAGEMENT

WorkSafeBC has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, WorkSafeBC uses currency hedging strategies, where deemed appropriate, by participating in currency hedging funds managed by bclMC, and through directly held forward contracts.

The currency exposure (before hedging) of WorkSafeBC's investments at December 31, 2009, is listed in the table below.

For the currency risk exposure table, investments in foreign real estate and private placements are presented at extrapolated market value. The extrapolated values comprise the prior years' audited market values adjusted for current period additions (disposals) at cost, and the application of changes in foreign currency exchange rates. Investments in Canadian dollars are shown in the table below for comparative purposes.

Currency	2009		2008					
	Public equities		Private placements					
	Public equities	Foreign real estate	Private placements	Total	Composition	Total	Composition	
Canadian dollars.....	2,316,786	51,946	319,619	2,688,351	50%	1,622,755	40%	
U.S. dollars.....	859,801	100,345	360,143	1,320,289	24%	1,350,391	33%	
Euros.....	259,109	14,219	85,522	358,850	7%	409,444	10%	
British pounds.....	148,407	9,998	30,265	188,670	3%	154,335	4%	
Japanese yen.....	53,044	—	755	53,799	1%	133,712	3%	
Other currencies.....	809,048	—	—	809,048	15%	419,490	10%	
Total, at market value.....	4,446,195	176,508	796,304	5,419,007	100%	4,090,127	100%	

INFLATION RISK MANAGEMENT

WorkSafeBC is exposed to fluctuations in the inflation rate because its compensation benefits are indexed annually against the increase in the annual Canadian consumer price index (CPI), as measured in October each year, minus 1 percent, up to a maximum annual rate of 4 percent and minimum of zero. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds inflation-sensitive assets, including real estate, infrastructure equity investments, and Canadian real-return bonds. These bonds are indexed to

the annual change in the CPI and have an effective yield of 1.5 percent, excluding the CPI component, at December 31, 2009 (2008: 2.3 percent).

LIQUIDITY RISK MANAGEMENT

The Accident Fund is exposed to liquidity risk because it must provide funding for WorkSafeBC operations such as benefit payments and administration expenses. WorkSafeBC always maintains a portion of its investments in pooled funds consisting of highly liquid short-term money market and fixed-income assets. As at December 31, 2009, the reconciled bank

NOTE 4 — CONTINUED

balance was negative \$17,627 (2008: negative \$120,000), of which \$105 represented investment transactions recorded at trade date but pending settlement at year-end (see the Trade date accounting policy, page 73), and \$17,522 represented the value of cheques issued but not cashed.

INTEREST RATE RISK MANAGEMENT

Fluctuations in interest rates can affect the market value of the fixed-income portfolio and shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio through direct holdings

in bonds, and through investments in fixed-income pooled funds with different terms to maturity. The following table summarizes the remaining term to maturity of WorkSafeBC's outstanding fixed-term investments.

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its fair value. The average yield of these fixed-term investments, excluding real-return bonds, at December 31, 2009, is 3.8 percent (2008: 3.9 percent).

	2009				2008	
	Remaining term to maturity					
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Total
Government bonds						
Market value	3,198	729,901	572,159	578,032	1,883,290	2,502,257
Amortized book value	3,193	730,294	565,711	578,174	1,877,372	2,435,511
Corporate bonds						
Market value	1,491	385,268	491,262	172,854	1,050,875	1,243,086
Amortized book value	1,482	365,034	465,136	172,373	1,004,025	1,276,933
Real-return bonds						
Market value	—	8,625	—	693,575	702,200	613,651
Amortized book value	—	8,385	—	638,169	646,554	599,979
Fixed-term mortgages						
Market value	41,952	246,338	215,006	10,238	513,534	412,289
Amortized book value	41,244	237,703	217,270	10,507	506,724	414,873
Total						
Market value	46,641	1,370,132	1,278,427	1,454,699	4,149,899	4,771,283
Amortized book value	45,919	1,341,416	1,248,117	1,399,223	4,034,675	4,727,296

REAL ESTATE RISK MANAGEMENT

Risk in the real estate portfolio is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, including investments in domestic

and foreign real estate. At December 31, 2009, the sector and geographic breakdown of WorkSafeBC's domestic real estate investments were as follows:

Sector	2009		2008	
	Total	Composition	Total	Composition
Office	834,729	50%	873,369	47%
Residential	311,004	18%	323,542	17%
Industrial	244,524	15%	268,381	14%
Retail	160,554	9%	178,018	10%
Hospitality	133,038	8%	184,714	10%
Others	—	—	42,020	2%
Operating assets and liabilities of the fund	(259,896)	—	(323,682)	—
Total, at market value	1,423,953	100%	1,546,362	100%

NOTE 4 — CONTINUED

Province	2009		2008	
	Total	Composition	Total	Composition
Ontario	617,405	37%	682,566	37%
Alberta	593,153	35%	658,443	35%
B.C.	300,796	18%	337,917	18%
Quebec	98,019	6%	113,886	6%
Manitoba	25,541	2%	28,238	2%
Nova Scotia	21,138	1%	23,001	1%
Saskatchewan	22,252	1%	20,570	1%
New Brunswick	4,126	—	3,927	—
P.E.I.	966	—	1,122	—
Newfoundland	453	—	374	—
Operating assets (liabilities) of the fund	(259,896)	n/a	(323,682)	n/a
Total, at market value	1,423,953	100%	1,546,362	100%

INDUSTRY AND GEOGRAPHIC RISK MANAGEMENT

To capture investment opportunities on a worldwide basis, global public equity investments are monitored and reviewed on a quarterly basis. This helps to ensure that appropriate diversification is achieved.

At December 31, 2009, the industry and geographic breakdown of WorkSafeBC's public equities was as follows:

Industry	2009			2008			
	Canada	U.S.	Non-North America	Total	Composition	Total	Composition
Financial services	646,574	103,903	409,006	1,159,483	26%	694,408	24%
Energy	636,516	72,025	134,592	843,133	19%	563,666	19%
Materials	448,069	24,431	138,364	610,864	14%	315,442	11%
Industrial	183,122	75,184	139,137	397,443	9%	271,472	9%
Information technology	91,431	159,482	148,441	399,354	9%	238,390	8%
Consumer discretionary	104,784	99,857	96,934	301,575	7%	218,008	7%
Consumer staple	70,674	63,637	128,618	262,929	6%	192,438	7%
Telecommunication services ..	83,266	21,096	73,688	178,050	4%	187,759	6%
Health care	13,423	97,597	79,108	190,128	4%	183,515	6%
Utilities	28,653	16,664	49,164	94,481	2%	85,143	3%
Other	8,578	1	176	8,755	—	7,640	—
Total, at market value	2,315,090	733,877	1,397,228	4,446,195	100%	2,957,881	100%

MARKET RISK

Market risk is the risk of loss in the value of portfolio investments that may arise due to changes in market factors, such as public equity prices, interest rates, foreign exchange rates, and real estate and private placement market valuations. These changes are subject to economic factors and other movements in global capital markets. As previously disclosed, market risk is managed by bcIMC and the Investment Committee, and through risk monitoring and diversification

of the portfolio. WorkSafeBC is exposed to varying levels of market risk depending on the type of investment and conditions within various global markets.

The tables on the next page provide estimates of the potential dollar impact on the market value of investments, when there are material changes in key risk variables, such as equity market indexes, interest rates, Canadian dollar exchange rates, and real estate and private placement valuations. Each table shows

NOTE 4 — CONTINUED

the potential impact under normal market conditions within the 12-month period following the balance sheet date. The lower of the two risk scenarios represents the more likely consequence for the specific asset class if market forces move in an adverse direction. The higher risk scenario is less likely to occur. It should be noted that each table shows the impact of the specific downside risk, independent of the correlation to other market variables, and that these estimates do not address worst-case scenarios or potential losses arising from extreme market conditions and events.

Public equities

	One standard deviation	Two standard deviations
Percentage change in market benchmark.....	-16.7%	-33.4%
Estimated loss in market value — Canadian equity pooled funds.....	\$390,000	\$780,000
Percentage change in market benchmark.....	-15.8%	-31.5%
Estimated loss in market value — global equity pooled funds (including U.S., global, and international, excluding Asia).....	\$220,000	\$435,000
Percentage change in market benchmark.....	-22.1%	-44.3%
Estimated loss in market value — emerging markets equity pooled funds (including emerging markets and Asia)	\$175,000	\$345,000

Interest rate risk

The table below presents the estimated effect of a material adverse change in the nominal and real interest rates on the bond and mortgage investments.

	Scenario 1	Scenario 2
Basis points change in nominal interest rate.....	+75bp	+150bp
Estimated loss in market value — bond pooled funds.....	\$135,000	\$270,000
Basis points change in nominal interest rate.....	+75bp	+150bp
Estimated loss in market value — mortgage pooled funds.....	\$10,000	\$20,000
Basis points change in real interest rate.....	+75bp	+150bp
Estimated loss in market value — real-return bonds.....	\$85,000	\$170,000

Currency risk

The table below presents the estimated effect of a material adverse change in the Canadian dollar/U.S. dollar and Canadian dollar/Euro exchange rates on foreign currency-based

investments in public equities, real estate, and private placements. The base exchange rates for the purpose of this analysis are the exchange rates at December 31, 2009.

	Scenario 1	Scenario 2
Appreciation in the Canadian Dollar (vs. U.S. dollar).....	10%	20%
Estimated loss in market value — public equities, real estate, and private placements.....	\$120,000	\$220,000
Appreciation in the Canadian Dollar (vs. Euro)	10%	20%
Estimated loss in market value — public equities, real estate, and private placements.....	\$35,000	\$60,000

NOTE 4 — CONTINUED

Valuation risk

The table below presents the estimated effect of a material adverse change in the valuations of the investments in domestic real estate, foreign real estate, and private placements.

	Scenario 1	Scenario 2
Decline in value of assets.....	10%	20%
Estimated loss in market value — domestic real estate.....	\$140,000	\$285,000
Estimated loss in market value — foreign real estate.....	\$20,000	\$35,000
Estimated loss in market value — private placements.....	\$80,000	\$160,000

ENCUMBRANCES

As at December 31, 2009, real-return bonds valued at \$5 million on a market value basis were pledged as collateral for the issuance of a letter of credit to guarantee U.S. \$2.1 million of credit facilities for Transelec S.A., the largest electricity transmission company in Chile. It is expected that the pledge will be required as long as the credit facilities are required by Transelec S.A. The market value of the collateral was \$5 million at December 31, 2009 (2008: \$3.5 million).

NOTE 5 — VARIABLE INTEREST ENTITIES (\$ THOUSANDS)

WorkSafeBC invests in private placements and foreign real estate through 42 (2008: 38) investment corporations. In each case, WorkSafeBC owns 100 percent of the participating,

non-voting shares of the corporation, whereas bcIMC owns one non-participating voting share of the corporation. The voting share gives bcIMC full authority to manage these investment corporations on behalf of WorkSafeBC.

WorkSafeBC consolidates the investment corporations, as they are variable interest entities for which WorkSafeBC is the primary beneficiary, and it participates in both the profits and losses of the corporations. The assets, liabilities, revenues, and expenses of the investment corporations are included in the consolidated financial statements of WorkSafeBC. The investment corporations had total net assets of \$1,134,029 as at December 31, 2009 (2008: \$932,385). The consolidation of these variable interest entities resulted in an increase to net assets and unappropriated balance of \$154,490 as at December 31, 2009 (2008: \$146,385).

NOTE 6 — CAPITAL ASSETS (\$ THOUSANDS)

	2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value
Property, plant, and equipment				
Land.....	3,760	—	3,760	3,760
Buildings.....	101,632	55,888	45,744	46,015
Furniture, equipment, and vehicles.....	40,397	25,550	14,847	14,327
Intangible assets				
Computer software.....	15,923	14,135	1,788	2,761
Operating systems.....	197,777	100,094	97,683	100,551
	359,489	195,667	163,822	167,414

Included in the buildings and operating system costs are deferred costs of \$18,148 (2008: \$3,059) for construction and

\$7,829 (2008: \$71,258) for systems development projects. These costs will not be amortized until the assets are available for use.

NOTE 7 — PAYABLES AND ACCRUALS (\$ THOUSANDS)

	2009	2008
Accrued staff benefits.....	109,133	104,035
Accrued benefit liability of retirees' medical benefit plan (Note 15).....	109,930	97,606
Vendor payables.....	18,087	19,610
Pre-2000 subclass surplus credits	6,196	8,130
Other payables.....	21,050	17,107
	264,396	246,488

Pre-2000 subclass surplus credits — Since WorkSafeBC implemented its new classification and experience rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of \$431 million) have had their surpluses abated back to them through the rate-setting process (generally over a five-year period commencing

in 2000). This distribution ended in 2004, except for a few remaining employers who will continue to receive credits until 2010, due to the application of a 1999 decision by the Panel of Administrators. The decision limited the amount of surplus that can be distributed to the individual employers in a year to 50 percent of their annual assessment.

NOTE 8 — BENEFIT LIABILITIES (\$ THOUSANDS)

	2009						2008	
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	294,576	5,929,385	859,474	1,531,150	166,661	566,679	9,347,925	8,751,988
Add: Claim costs								
Current year's injuries	272,078	263,254	21,130	280,224	56,507	210,827	1,104,020	1,123,651
Prior years' injuries	18,944	(27,971)	29,242	119,975	25,521	52,197	217,908	239,425
	291,022	235,283	50,372	400,199	82,028	263,024	1,321,928	1,363,076
Less: Claim payments made:								
Current year's injuries	140,727	699	732	71,258	622	98,595	312,633	366,730
Prior years' injuries	139,855	361,379	63,174	162,410	67,371	138,928	933,117	887,773
	280,582	362,078	63,906	233,668	67,993	237,523	1,245,750	1,254,503
Add: Non-recurring expenses:								
Discount rate adjustment.....	—	—	—	—	—	—	—	487,364
Balance — December 31	305,016	5,802,590	845,940	1,697,681	180,696	592,180	9,424,103	9,347,925
Represented by:								
Provision for unfinalled claims	305,016	2,070,541	76,141	1,697,681	180,696	592,180	4,922,255	4,541,427
Pension awards, capitalized values	—	3,732,049	769,799	—	—	—	4,501,848	4,319,134
Provision for non-recurring expenses	—	—	—	—	—	—	—	487,364
	305,016	5,802,590	845,940	1,697,681	180,696	592,180	9,424,103	9,347,925

NON-RECURRING EXPENSES

In 2008, WorkSafeBC reviewed economic and investment trends and concluded that the future investment and inflation long-term outlook had become less optimistic than previously expected. As a result, WorkSafeBC lowered the valuation net

discount rate used to calculate its liabilities from 3.5 percent per annum to 3.0 percent per annum. The net discount rate is the difference between the assumed future long-term investment rate and the future long-term inflation rate. This change resulted in a \$487-million increase in liabilities in 2008.

NOTE 8 — CONTINUED

The following is a reconciliation of the claim benefit liabilities:

	2009						2008	
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total	Total
Balance — January 1	294,576	5,929,385	859,474	1,531,150	166,661	566,679	9,347,925	8,751,988
Add:								
Provision for current year's injuries	131,351	262,555	20,398	208,966	55,885	112,232	791,387	756,921
Accretion expense for prior years' liabilities	7,206	176,857	25,582	44,497	4,325	15,815	274,282	514,035
Prior years' claim costs experience higher (lower) than expected	11,738	(204,828)	3,660	75,478	21,196	36,382	(56,374)	(274,610)
Provision for non-recurring expenses	—	—	—	—	—	—	—	487,364
	150,295	234,584	49,640	328,941	81,406	164,429	1,009,295	1,483,710
Less:								
Payments for prior years' injuries	139,855	361,379	63,174	162,410	67,371	138,928	933,117	887,773
Balance — December 31	305,016	5,802,590	845,940	1,697,681	180,696	592,180	9,424,103	9,347,925

Accretion expense for prior years' liabilities represents the expected interest accrued on the benefit liabilities for prior years' injuries (i.e., opening benefit liabilities).

NOTE 9 — CHANGES IN ACTUARIAL VALUATION OF BENEFIT LIABILITIES (\$ THOUSANDS)

	2009			2008		
	Claim costs	Less: Benefit payments	Changes in actuarial valuation of benefit liabilities	Claim costs	Less: Benefit payments	Changes in actuarial valuation of benefit liabilities
Short-term disability	291,022	280,582	10,440	280,691	278,599	2,092
Long-term disability	235,283	362,078	(126,795)	306,354	371,165	(64,811)
Survivor benefits	50,372	63,906	(13,534)	74,399	63,261	11,138
Health care	400,199	233,668	166,531	412,007	266,803	145,204
Vocational rehabilitation	82,028	67,993	14,035	46,028	56,758	(10,730)
	1,058,904	1,008,227	50,677	1,119,479	1,036,586	82,893
Claim administration	263,024	237,523	25,501	243,597	217,917	25,680
	1,321,928	1,245,750	76,178	1,363,076	1,254,503	108,573
Non-recurring expenses	—	—	—	487,364	—	487,364
	1,321,928	1,245,750	76,178	1,850,440	1,254,503	595,937

NOTE 10 — RESERVES (\$ THOUSANDS)

	2009	2008
Special reserves		
Contingent Reserve	2,500	2,500
Disaster Reserve	16,500	16,500
Enhancement Reserve	21,000	21,000
	40,000	40,000
Latent Occupational Disease Reserve	200,000	200,000
Earthquake Disaster Reserve	20,000	20,000
Research Reserve	30,000	30,000
General Reserve	250,000	250,000
Capital Adequacy Reserve	869,000	869,000
	1,409,000	1,409,000

See Note 2(E) for descriptions of the reserves.

Claims covered by the special reserves are charged to current operations. The following are the claim costs relating to special reserves. These costs are included in the total claim costs in Notes 8 and 9.

	2009			2008
	Contingent	Disaster	Enhancement	Total
Special reserves costs				
Short-term disability	—	—	28,868	28,868
Long-term disability	—	—	30,578	30,578
Health care	—	—	19,659	19,659
Vocational rehabilitation	—	—	9,697	9,697
	—	—	88,802	88,802
				97,589

NOTE 11 — PREMIUMS (\$ THOUSANDS)

	2009	2008
Rateable classes	1,120,400	1,214,533
Abatement of pre-2000 subclass surplus	(2,171)	(4,611)
Interest on pre-2000 subclass surplus	(89)	(474)
Partners Program financial incentives	(11,943)	(4,537)
Penalties	4,636	5,427
Capping of rate changes and amortization of balance		
Capping of rate changes	(4,947)	23,650
Amortization of balance	(147,876)	(163,744)
	(152,823)	(140,094)
	958,010	1,070,244
Levy for injury-reduction initiatives	19,199	15,235
Rateable employers	977,209	1,085,479
Self-insured employers (Note 12)	47,291	55,840
	1,024,500	1,141,319

Pre-2000 subclass surplus — See Note 7 for description.

NOTE 11 — CONTINUED

Partners Program financial incentives — The Partners in Injury and Disability Prevention program is an employer incentive program in support of the WorkSafeBC vision of workers and workplaces safe and secure from injury, illness, and disease. Through financial incentives, this program encourages employers to implement health, safety, and return-to-work management systems.

Capping of rate changes and amortization of balance — The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the rates of any rate group from year to year. The amortization of the balance represents the effect of the planned amortization of the projected unappropriated balance (surplus or deficit determined on a smoothed basis) of each rate group at the beginning of each appropriate year.

NOTE 12 — SELF-INSURED EMPLOYERS (\$ THOUSANDS)

	2009	2008
Current premium income.....	47,291	55,840
Claim costs		
Short-term disability	14,326	12,229
Long-term disability	7,457	14,540
Survivor benefits.....	1,624	3,771
Health care	12,491	15,864
Vocational rehabilitation	2,468	(167)
Claim administration	8,054	6,815
	46,420	53,052
Share of special reserves costs	2,597	2,827
Operating costs	7,738	7,545
	56,755	63,424
Less:		
Share of investment income	(9,464)	(7,051)
Share of prior year investment income	—	(533)
	47,291	55,840

Included in the benefit liabilities is \$169 million (2008: \$165 million) of provision for unfinalled claims for self-insured employers (except for the federal government).

An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years; hence, they do not affect WorkSafeBC's unfunded liability.

NOTE 13 — OPERATING COSTS (\$ THOUSANDS)

	2009					2008	
	Prevention	Customer services	Information technology and facilities	Corporate services	WCAT, Review Division, and advisors	Total	Total
Salaries and employee benefits.....	42,565	138,524	28,877	44,128	11,462	265,556	255,782
Amortization of capital assets.....	1,504	2,910	11,404	8,126	1,074	25,018	30,504
WCAT and advisers	—	—	—	—	27,479	27,479	27,533
Office expenses and communication.....	1,803	6,626	11,699	1,921	364	22,413	19,854
Consulting fees	722	5,785	13,822	6,992	35	27,356	19,637
Building expenses	72	1,798	9,795	961	16	12,642	11,517
Sessional doctor fees.....	1	6,107	—	1	26	6,135	5,244
Travel and vehicle expenses	2,825	2,271	274	417	16	5,803	6,689
Personal computer leases.....	421	1,288	686	475	80	2,950	3,072
Other administration expenses	2,612	10,238	1,104	19,962	289	34,205	31,767
Injury-reduction initiatives	17,719	—	—	1,480	—	19,199	15,235
Cost recoveries.....	(477)	(21,097)	(7,575)	(14,248)	(1)	(43,398)	(41,508)
	69,767	154,450	70,086	70,215	40,840	405,358	385,326
Less:							
Claim administration payments	—	120,721	40,509	47,661	28,632	237,523	217,917
	69,767	33,729	29,577	22,554	12,208	167,835	167,409

NOTE 14 — EXECUTIVE AND BOARD OF DIRECTORS REMUNERATION

The table below shows the total compensation for senior executive management of WorkSafeBC.

	2009				2008	
	Salary	Benefits	Bonus	Other earnings	Total	Total
President and Chief Executive Officer.....	270,000	46,580	96,188	11,126	423,894	384,902
Chief Financial Officer.....	220,000	37,387	59,400	10,126	326,913	310,292
Vice-President, Policy, Investigations, and Review	220,000	36,219	59,400	12,972	328,591	319,804
Vice-President, Worker and Employer Services	220,000	35,706	59,400	12,026	327,132	309,198
Vice-President, Human Resources and Facilities (2008: June–December).....	183,769	30,534	32,446	9,000	255,749	127,191
	1,113,769	186,426	306,834	55,250	1,662,279	1,451,387

Bonuses were awarded based on the achievement of corporate goals and performance targets (see page 26), excluding the performance targets related to improved adjudicative decision making.

Benefits include medical benefits, dental benefits, group life insurance, disability plans, and the employer's share of contributions or payments to the WorkSafeBC employee pension plan, Canada Pension Plan, and employment insurance.

Other earnings include payout of unused vacation, car allowances, and supplementary executive allowances for reimbursement of medical, dental, and insurance expenses not covered in the employee benefit plans.

The table on the next page shows the total compensation for the Board of Directors of WorkSafeBC.

NOTE 14 — CONTINUED

	Number of individuals	2009			2008
		Fees	Benefits	Total	Total
Chair, Board of Directors.....	1	30,750	—	30,750	31,688
Board members.....	6	109,500	2,213	111,713	115,086
	7	140,250	2,213	142,463	146,774

The Chair's remuneration is comprised of an annual retainer of \$15,000 and \$500 per meeting attended. All other Board members received an annual retainer of \$7,500 and \$500 per meeting attended.

NOTE 15 — EMPLOYEE BENEFIT PLANS (\$ THOUSANDS)

WorkSafeBC has several employee benefit plans that provide pension and other post-employment benefits to its employees.

WorkSafeBC and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan. The plan provides pensions based on length of service and best five-year average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2009. In addition, WorkSafeBC also has a financial obligation relating to the basic medical and extended health care benefits it provides to eligible WorkSafeBC retirees; WorkSafeBC employees are not required to contribute toward these health care benefits.

The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, compensation level increases, retirement ages of employees, and expected health care costs. Pension plan assets are recognized at fair value and the expected return is also based on the fair value of its assets. The March 31, 2009 funding valuation results were used to derive the projected liabilities at year-end.

The total net actuarial gains or losses are amortized when the amount exceeds 10 percent of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. The net actuarial gains or losses are amortized on a straight-line basis over the average remaining service period of active employees expected to receive benefits under the plan.

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are shown in the following table.

	Pension plan		Other benefit plans	
	2009	2008	2009	2008
Discount rate.....	6.2%	6.75%	6.2%	6.75%
Expected long-term rate of return on plan assets.....	6.2%	6.75%	—	—
Rate of compensation increase/health care cost increase.....	3.2%	3.75%	5.2%	5.75%
Average remaining service period of active employees expected to receive benefits under the plans.....	9.5 years	10.0 years	9.5 years	10.0 years

The rates shown in the 2009 column were effective as of December 31, 2009. The rates were applied in determining the benefit plan balances at December 31, 2009. The rates

shown in the 2008 column were effective from December 31, 2008, to December 30, 2009. The 2008 rates were applied in determining the 2009 benefit plan expenses.

NOTE 15 — CONTINUED

Aggregated information about WorkSafeBC's employee benefit plans is summarized below.

	Pension plan		Other benefit plans	
	2009	2008	2009	2008
Accrued benefit obligation — December 31	(952,592)	(822,209)	(127,352)	(118,425)
Fair value of plan assets — December 31	963,018	897,217	—	—
Funded status — plan surplus (deficit) — December 31	10,426	75,008	(127,352)	(118,425)
Unamortized net actuarial loss — December 31	102,481	35,267	17,422	20,819
Unamortized transitional asset — December 31	(13,336)	(26,675)	—	—
Accrued benefit asset (liability) — December 31	99,571	83,600	(109,930)	(97,606)
Employee contributions	12,563	12,433	—	—
Employer contributions	16,658	16,354	—	—
Benefit plan expenses:				
Actual loss (return) on plan assets	(62,448)	54,709	—	—
Actuarial gain (loss) on plan assets	1,773	(105,562)	—	—
Expected return on plan assets	(60,675)	(50,853)	—	—
Employer current service cost	19,010	23,120	5,383	5,123
Interest cost on accrued benefit obligation	55,691	46,687	—	—
Amortization of:				
Transitional asset	(13,339)	(13,339)	—	—
Net actuarial loss	—	—	945	636
Net benefit plan expenses	687	5,615	6,328	5,759

The accrued benefit asset relating to WorkSafeBC's pension plan is included in accounts receivable (Note 3), while the accrued benefit liability relating to its other employee benefit plans is included in accounts payable (Note 7). In 2009, an interest cost of \$8,104 (2008: \$5,702) on WorkSafeBC's accrued benefit obligation relating to its retirees' post employment medical benefits was offset by the interest earned by the portion of the Accident Fund that has been internally restricted for the purpose of supporting this financial obligation.

Unamortized net actuarial loss — The unamortized net actuarial loss includes actuarial loss during 2009 on the accrued benefit obligation of \$68,987 (2008: gain of \$101,927) for the pension plan, and actuarial gains of \$2,452 (2008: loss of \$4,596) for other benefit plans.

Transitional asset — Pension plan assets and liabilities were revalued at January 1, 2000, from smoothed values to market values. The revaluation was due to a change in Canadian accounting standards for employee future benefits. The revaluation created a surplus of asset values over liabilities of \$146,726 at January 1, 2000. The surplus (transitional asset) is being amortized over 11 years, which was the expected remaining service life of active employees at the time of

the revaluation. To December 31, 2009, \$133,390 has been amortized, leaving an unamortized transitional asset balance of \$13,336, which will be fully amortized by 2010.

NOTE 16 — COMMITMENTS (\$ THOUSANDS)

WorkSafeBC has several operating leases relating to computer equipment and office space. Renewal options are a feature in some of the office space lease agreements. As WorkSafeBC may or may not exercise its rights under these options, the renewal amounts are excluded from commitments. WorkSafeBC has also committed to fund certain research projects. The future commitments for payments expected to be charged against operating costs over the next five years are as follows:

	Computer equipment	Office space	Research grants and awards	Total
2010	2,370	3,363	2,002	7,735
2011	1,335	3,191	585	5,111
2012	318	2,578	195	3,091
2013	7	2,654	—	2,661
2014	1	427	—	428
	4,031	12,213	2,782	19,026

NOTE 17 — CONTINGENT LIABILITIES

INTEREST POLICY

A certified class action lawsuit has been brought against WorkSafeBC which could result in a change in WorkSafeBC's interest policy, implemented in 2001, for retroactive benefit payments. Prior to 2001, WorkSafeBC paid interest on retroactive short-term and long-term disability payments. Since the 2001 implementation of the new interest policy, interest is paid only where it is demonstrated that a WorkSafeBC staff member error necessitated the retroactive payment. Based on information presently available, the likely outcome is not determinable. The amount of any potential loss cannot be reasonably estimated until the interest policy is amended, if necessary, and will be recorded at the time of that determination.

MENTAL STRESS

Several challenges have been made to Section 5.1 of the *Workers Compensation Act* requesting WorkSafeBC to compensate for mental stress claims. In 2009, the B.C. Court of Appeal struck down portions of WorkSafeBC's policy, although Section 5.1 was confirmed. Subsequent to the decision, the challenges were brought to the B.C. Human Rights Tribunal for hearing in January 2011. Based on information presently available, the likely outcome is not determinable. The amount of any potential loss cannot be reasonably estimated unless policy is amended, if necessary, and will be recorded at the time of that determination.

CHRONIC PAIN

There are several challenges to WorkSafeBC's policy regarding chronic pain and the limitation of pension awards to 2.5 percent. In February 2010, the B.C. Court of Appeal ruled that such challenges can be heard by the B.C. Human Rights Tribunal. Based on information presently available, the likely outcome of these actions is not determinable. The amount of any potential loss cannot be reasonably estimated until the policy is amended, if necessary, and will be recorded at the time of that determination.

LEGAL PROCEEDINGS

At any given time, WorkSafeBC is party to various claims and legal proceedings related to its operations. Management believes that the organization has strong defenses against these claims and that no financial provisions for them are appropriate or required.

NOTE 18 — CAPITAL MANAGEMENT (\$ THOUSANDS)

WorkSafeBC's total capital available or funded position is represented by the sum of the unappropriated surplus, accumulated other comprehensive income (loss), and reserves. Its objectives when managing capital are as follows:

- To build up capital to a level that provides a comparable degree of security of worker benefits to that required for private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). WorkSafeBC has adopted a capital adequacy policy modelled after OSFI guidelines. This policy specifies the criteria under which the capital adequacy reserve will be built up or drawn down.
- To mitigate against the risks in the investment portfolio and to reduce volatility of employer premium rates arising from investment in equities. Equity investments are expected to produce higher long-term returns and thus lower long-term employer assessment costs, but they are subject to market volatility. Strong capital reserves can be drawn upon to limit employer premium rate volatility arising from investment in equities.
- To cover reasonable levels of both foreseen and unforeseen plausible events that, even though they occur relatively infrequently, could have a significant financial impact on WorkSafeBC.

These objectives are in line with WorkSafeBC's strategic objective to ensure long-term financial sustainability of the workers' compensation system.

WorkSafeBC maintains a capital adequacy reserve and has set a target capital adequacy reserve level (see Note 2(E)) to achieve the capital management objectives noted above. The table below shows the total assets as a ratio of the target asset requirement level, which is based on the total liabilities, plus the target capital adequacy reserve level, plus other reserves. WorkSafeBC manages its capital on the basis of achieving 100 percent of the target asset requirement in the long term.

	2009	2008
Total assets	11,969,926	11,082,322
Target asset requirement level	12,960,499	12,579,413
Percent of target assets achieved	92%	88%

**NOTE 19 — RELATED-PARTY TRANSACTIONS
(\$ THOUSANDS)**

WorkSafeBC is accountable to the public through the government of B.C., but is separate and distinct from government. It is not part of the B.C. government reporting entity, and is not considered a related party for financial reporting purposes.

Transactions with various B.C. government-controlled ministries, agencies, and Crown corporations are at prevailing market prices and are settled on normal trade terms.

NOTE 20 — COMPARATIVE FIGURES

Certain 2008 figures have been reclassified to conform to the current year's presentation.

Eckler

Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with WorkSafeBC's financial statements.

The liabilities under Pension awards, capitalized values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2010. They have been computed using the same mortality and other assumptions used for the valuation as at December 31, 2008. A net interest rate of 4.0 percent was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WorkSafeBC's assets will exceed increases in the consumer price index (CPI) by 3.0 percent per year, over the long term, and that indexing will be provided at CPI minus 1.0 percent.

The Provision for unfinalled claims represents the liabilities for future claims costs in respect of injuries that occurred during 2009 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from WorkSafeBC's claims experience, average benefit rates, net discount rates reflecting the real rate of return above and, where applicable, the mortality and other assumptions used for computing pension liabilities.

The methods used in calculating the liabilities were substantially the same as those employed in the previous valuation as at December 31, 2008.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practice, and the resulting amounts set out below make reasonable provision, as at December 31, 2009, for the future benefit expenditures of WorkSafeBC in respect of injuries to December 31, 2009.

(\$ THOUSANDS)	Pension awards, capitalized values	Provision for unfinalled claims	Total
Benefit liabilities			
Short-term disability	—	305,016	305,016
Long-term disability	3,732,049	2,070,541	5,802,590
Survivor benefits	769,799	76,141	845,940
Health care	—	1,697,681	1,697,681
Vocational rehabilitation	—	180,696	180,696
Claim administration	—	592,180	592,180
	4,501,848	4,922,255	9,424,103



Richard A. Border, FIA, FCIA



Wendy F. Harrison, FSA, FCIA

Actuaries with the firm of Eckler Ltd.

March 12, 2010

Ten-year summary of consolidated financial statements

Schedule A — Smoothed or funding basis

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31 (\$ THOUSANDS)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
ASSETS										
Receivables	491,698	514,471	515,804	542,501	551,121	508,035	458,703	427,728	405,547	407,531
Portfolio investments	11,205,956	10,940,350	10,617,981	9,820,522	8,948,692	8,320,084	7,879,525	7,499,966	7,899,120	7,686,438
Capital assets	163,822	167,414	165,054	148,559	136,068	139,686	142,180	150,906	162,037	170,501
	11,861,476	11,622,235	11,298,839	10,511,582	9,635,881	8,967,805	8,480,408	8,078,600	8,466,704	8,264,470
LIABILITIES AND FUNDED (DEFICIT) POSITION										
Payables and accruals	264,396	246,488	232,951	215,476	231,073	201,604	202,895	195,854	172,253	244,919
Benefits liabilities	9,424,103	9,347,925	8,751,988	8,765,301	8,576,574	8,412,023	8,269,650	8,029,458	7,870,287	7,308,582
Total liabilities	9,688,499	9,594,413	8,984,939	8,980,777	8,807,647	8,613,627	8,472,545	8,225,312	8,042,540	7,553,501
Reserves	1,409,000	1,409,000	1,430,000	840,000	440,000	260,000	260,000	260,000	290,000	290,000
Unappropriated balance (unfunded liability)	763,977	618,822	883,900	690,805	388,234	94,178	(252,137)	(406,712)	134,164	420,969
Total funded (deficit) position	2,172,977	2,027,822	2,313,900	1,530,805	828,234	354,178	7,863	(146,712)	424,164	710,969
	11,861,476	11,622,235	11,298,839	10,511,582	9,635,881	8,967,805	8,480,408	8,078,600	8,466,704	8,264,470

CONSOLIDATED STATEMENT OF OPERATIONS AND UNAPPROPRIATED BALANCE (UNFUNDED LIABILITY) FOR THE YEARS ENDED DECEMBER 31 (\$ THOUSANDS)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
INCOME										
Premiums	1,024,500	1,141,319	1,081,896	1,267,238	1,239,777	1,175,089	1,077,383	1,019,250	916,378	872,331
Investments	610,418	590,452	1,014,939	893,520	631,741	522,072	495,937	(223,798)	585,716	785,429
	1,634,918	1,731,771	2,096,835	2,160,758	1,871,518	1,697,161	1,573,320	795,452	1,502,094	1,657,760
EXPENSES										
Claim costs										
Short-term disability	291,022	280,691	252,717	217,624	209,774	205,206	199,508	253,019	308,329	338,276
Long-term disability	235,283	306,354	294,622	376,384	504,081	459,094	691,555	738,273	742,605	653,882
Survivor benefits	50,372	74,399	65,425	58,781	87,844	70,996	76,370	85,885	69,463	55,977
Health care	400,199	412,007	273,111	258,307	281,873	299,763	170,345	237,623	221,349	230,031
Vocational rehabilitation	82,028	46,028	35,497	3,627	1,550	15,544	34,492	130,490	117,330	106,037
Claim administration	263,024	243,597	195,369	209,870	180,936	165,262	191,662	178,985	189,618	135,898
Extraordinary adjustments to revalue liabilities*	—	487,364	36,514	185,269	—	—	(75,546)	(414,674)	—	(75,357)
	1,321,928	1,850,440	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744
Operating and prevention costs										
Operating	335,591	321,885	296,998	283,778	258,983	256,780	257,411	278,134	250,775	227,768
Prevention	69,767	63,441	56,362	47,546	41,849	44,006	38,452	40,418	44,067	45,714
Less: Claim administration payments	(237,523)	(217,917)	(192,875)	(182,999)	(169,428)	(165,805)	(165,504)	(161,825)	(154,637)	(135,898)
	167,835	167,409	160,485	148,325	131,404	134,981	130,359	156,727	140,205	137,584
	1,489,763	2,017,849	1,313,740	1,458,187	1,397,462	1,350,846	1,418,745	1,366,328	1,788,899	1,582,328
SURPLUS (DEFICIT) FROM OPERATIONS	145,155	(286,078)	783,095	702,571	474,056	346,315	154,575	(570,876)	(286,805)	75,432
UNAPPROPRIATED BALANCE (UNFUNDED LIABILITY) — January 1	618,822	883,900	690,805	388,234	94,178	(252,137)	(406,712)	134,164	420,969	133,537
Withdrawal from (appropriation to) Future Claim Administration Reserve	—	—	—	—	—	—	—	—	—	212,000
Withdrawal from (appropriation to) Research Reserve	—	—	—	—	(30,000)	—	—	30,000	—	—
Withdrawal from (appropriation to) Capital Adequacy Reserve	—	21,000	(590,000)	(150,000)	(150,000)	—	—	—	—	—
Withdrawal from (appropriation to) General Reserve	—	—	—	(250,000)	—	—	—	—	—	—
UNAPPROPRIATED BALANCE (UNFUNDED LIABILITY) — December 31	763,977	618,822	883,900	690,805	388,234	94,178	(252,137)	(406,712)	134,164	420,969

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

a The extraordinary adjustments to revalue liabilities in 2008 relates to the lowering of the net discount rate from 3.5 percent to 3.0 percent. The extraordinary adjustments to revalue liabilities for 2007 relate to an adjustment of a non-recurring expense in 2006 stemming from a Supreme Court decision on benefit eligibility, and to a revision of mortality assumptions. The extraordinary adjustments for 2000–2003 relate to the following items: Bill 37 in 2003, and Bill 49 and mortality assumption changes in 2002.

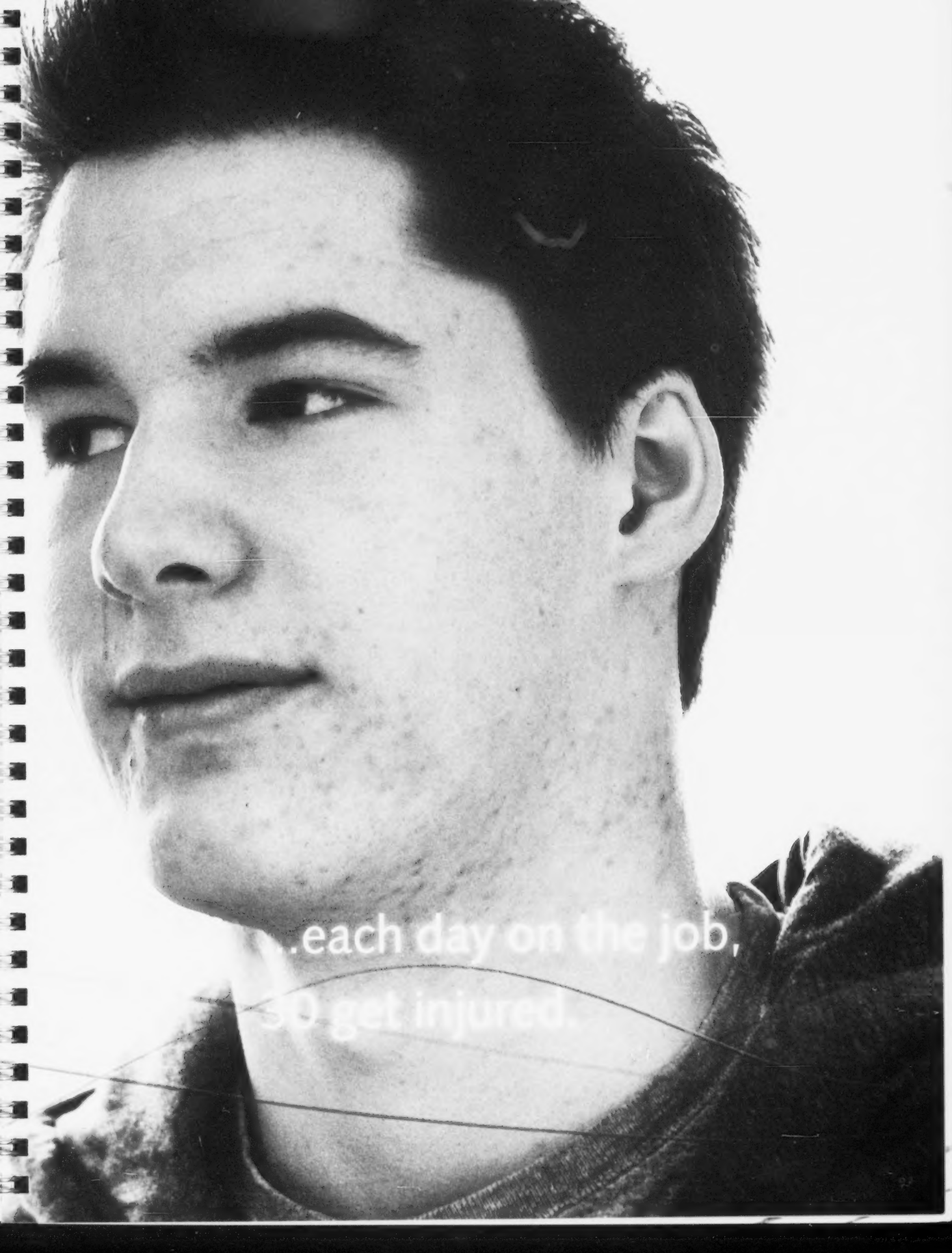
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
SUPPLEMENTARY FINANCIAL INFORMATION (\$ thousands)										
Capital asset expenditures	21,873	39,860	45,893	50,085	40,329	36,999	19,548	18,050	25,583	35,225
Special reserves costs										
(included in claim costs)	88,802	97,589	91,222	94,455	101,215	112,060	154,263	114,234	120,274	98,946
Claim costs:										
Current year's injuries	1,104,020	1,123,651	1,039,381	972,241	932,334	893,825	841,047	933,688	990,697	968,515
Prior years' injuries	217,908	239,425	77,360	152,302	333,734	322,040	522,885	690,587	657,937	476,229
Non-recurring costs	—	487,364	36,514	185,269	—	—	(175,346)	(414,674)	—	—
	1,321,928	1,850,440	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744
Claim costs:										
Payments	1,245,750	1,254,503	1,366,568	1,121,135	1,101,507	1,073,490	1,048,195	1,050,430	1,086,991	1,051,822
Change in benefit liabilities	76,178	595,937	(13,313)	188,727	164,551	142,373	240,191	159,171	561,703	392,922
	1,321,928	1,850,440	1,153,255	1,309,862	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744
STATISTICS										
Claims first reported ^a	141,968	168,268	173,185	172,843	164,267	156,762	152,071	156,782	169,497	183,632
Claims accepted ^b	94,252	128,442	115,450	111,318	127,810	121,440	120,471	119,727	130,323	140,020
Claims disallowed ^c	9,099	12,298	11,525	12,097	10,634	9,432	10,011	9,699	10,253	11,211
Claims rejected ^d	1,509	1,938	1,943	2,084	1,967	1,788	1,397	1,788	1,728	2,144
Claims disallowed as a proportion of claims reported (%) ^e	6.4%	7.3%	6.6%	5.0%	6.5%	6.0%	5.9%	6.3%	6.0%	6.2%
Injury rate (number of short-term disability claims per 100 person-years of employment)	2.37	2.96	3.06	3.11	3.08	3.00	3.05	3.04	3.64	3.67
Short-term duration of claims (days paid per claim) ^f										
— in injury year	31.7	27.9	26.6	25.9	26.3	26.9	26.3	26.2	26.8	26.2
— total of all years	54.6	48.3	46.3	45.5	47.4	48.2	46.8	47.3	49.1	49.4
Prevention inspection reports issued ^g	38,520	35,414	31,649	26,249	30,066	31,569	33,070	21,483	28,541	30,436
Prevention worksite activity hours ^h	298,937	268,448	251,392	218,069	205,364	252,323	228,321	273,349	265,738	277,869
Employers registered	202,390	200,959	193,790	188,364	184,239	179,272	173,008	171,283	169,631	168,501
Average premium rate (\$) ⁱ										
— published rate										
base rate	1.56	1.56	1.69	1.90	1.90	1.95	2.05	2.03	2.02	2.11
surplus abatement, transition capping, and experience rating imbalance	(0.05)	(0.04)	(0.07)	(0.07)	(0.11)	(0.16)	(0.14)	(0.11)	(0.23)	(0.43)
— collection rate	1.51	1.52	1.62	1.83	1.88	1.79	1.90	1.90	1.79	1.68
— actual final collection rate	1.40	1.50	1.54	1.89	1.89	1.99	1.94	1.88	1.79	1.71
Investment return of portfolio (%)										
— total return (market yield)	8.70	(8.20)	4.4	11.6	12.3	10.3	11.3	13.4	(0.96)	3.1
— accounting return (smoothed basis yield on average value of portfolio)	5.5	5.5	(9.2)	9.4	12	6.4	15.4	(1.86)	—	(9.8)
— real return (smoothed basis yield in excess of inflation) ^j	5.4	2.9	1.8	8.3	4.6	4.1	4.3	(0.1)	(3.4)	1.8
Percent funded (smoothed basis ratio of assets to total liabilities) (%)	122	121	126	111	105	104	100	98	100	100

Note: Refinements in measurement approach have resulted in minor changes to previously reported figures in some cases.

The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

- Claims are not necessarily disallowed, rejected, or accepted in the year in which they are reported. The counts of reported claims in this table have been revised from those that appeared in the 2008 annual report: the claim consolidation process results in some duplicate claim numbers from past years being eliminated.
- Claims accepted include claims accepted for health-care-only benefits.
- Disallowed claims are those that fall within the scope of the Workers Compensation Act but are not payable because they are not work-related.
- Rejected claims are those that do not fall within the scope of the Act: claims from workers employed in industries not covered under the Act; claim from self-employed workers without optional protection; accounts from physicians submitted in error to WorkSafeBC.
- Reported claims that are not accepted, disallowed, or rejected are either suspended claims or no adjudication required claims. Suspended claims are those where the claimant fails to respond to a request for information from the adjudicator, or withdraws the claim. No adjudication required claims are a subset of reports that are not claims for benefits.
- Duration numbers for all 10 years exclude days paid as vocational rehabilitation days. The durations include only short-term disability days.
- These figures represent the number of inspection reports issued by prevention officers in each respective year and include both provincial inspections and federal Workplace Hazardous Materials Information System (WHMIS) inspections. Inspection reports represent either new or follow-up prevention activity and most inspection reports are the result of a worksite visit.
- Prevention activity hours include both Worker and Employer Services and Investigations officer time. These hours represent the number of hours spent in each respective year on inspections, education, consultations, investigations, and other industry and worker services combined. Prevention activity hours include travel time.
- The published base rate is the rate announced at the time the assessment rates are set. The published collection rate consists of the published base rate reduced by three elements — the pre-2000 subclass surplus abatement, transition capping of rate increases from the old to new classification structure, and an allowance for the imbalance in the experience rating program. The transition capping element has largely disappeared since 2005. The actual final collection rate differs from the published collection rate due to changes in payroll distribution by industries over time and refinement of estimates.
- Inflation is the change in the All Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

YOUNG MEN FACE THE HIGHEST RISK OF WORKPLACE INJURY



...each day on the job,
30 get injured.

Appendices

Appendix A: Linking Costs with Goals and Strategies

In developing the operating budget each year, the Board of Directors and Senior Executive Committee strive for the best possible balance between the funding and the support of WorkSafeBC's strategic goals. However, WorkSafeBC's goals are broad, and the organization shares the responsibility for promoting these goals among its various departments and divisions. As a result, it's difficult to identify the costs of fostering specific goals and objectives.

In recent years, WorkSafeBC has become an increasingly integrated and interdependent organization. And most of its programs and initiatives target more than one of the organization's strategic goals. As such, it might be misleading to allocate budget dollars based on specific organizational goals or functions.

WorkSafeBC's prevention initiatives offer an example of the difficulty in isolating the cost of specific goals. A new prevention program, for instance, may contribute to the goal of improving occupational health and safety in the workplace. But the program would also support the goal of maintaining financial sustainability and stability, and influence other goals as well.

Furthermore, the same initiative would likely involve significant contributions from more than one division.

WorkSafeBC's annual expenditures can be broken down based on its general business activities, which are closely associated with groups of strategic goals (as outlined in the table on the next page). But such a system of classification is not exhaustive. These areas of expenditure are accompanied by a ratio, or contextual measure, to help put WorkSafeBC's expenditures in perspective.

The relationship between costs and performance outcomes

The areas of expenditure on the next page are linked with groups of strategic goals. However, changes in costs do not necessarily imply subsequent changes in outcomes. An increasing injury rate, for example, may trigger an increase in expenditures to prevent injuries. Over time, as the effects of those expenditures bear results, performance may improve; but, in the short term, costs may rise while apparent outcomes are falling. In terms of claim administration, an excessive reduction in administrative expenditures might increase claim duration and delay return to work, thus increasing the overall cost to the system. Such examples illustrate the limitations of the relationships outlined in the following table.

Area of expenditure	Strategic goals most directly influenced	Context
<p>Prevention — \$70 million or 4.7 percent of total costs in 2009</p>	<p>Goal #1: Foster the improvement of occupational health and safety in workplaces</p> <p>Goal #4: Maintain financial sustainability and stability</p>	<p>Based on 2.1 million full-time equivalent work years and an average of 1,600 hours of paid work in a year, prevention expenditures accounted for \$0.02 per paid hour worked in B.C. in 2009 (\$0.02 in 2008)</p>
<p>Claim costs — \$1,084 million or 72.8 percent of total costs in 2009</p>	<p>Claim costs are not expended to achieve a specific strategic goal, but are part of WorkSafeBC's legislated mandate</p>	<p>Claim costs accounted for approximately \$0.32 per paid hour worked in B.C. in 2009 (\$0.44 in 2008)</p>
<p>Customer service and infrastructure — \$225 million or 15.1 percent of total costs in 2009</p>	<p>Goal # 2: Improve service to stakeholders</p> <ul style="list-style-type: none"> a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation <p>Goal # 3: Improve cost-effectiveness and accountability of the services we deliver</p> <p>Goal #4: Maintain financial sustainability and stability</p>	<p>Customer service costs represented about \$0.07 per paid hour worked in B.C. in 2009 (\$0.06 in 2008)</p>
<p>Corporate services (financial management, policy development, governance, corporate services, etc.) — \$70 million or 4.7 percent of total costs in 2009</p>	<p>Goal # 2: Improve service to stakeholders</p> <ul style="list-style-type: none"> a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation <p>Goal # 3: Improve cost-effectiveness and accountability of the services we deliver</p> <p>Goal #4: Maintain financial sustainability and stability</p>	<p>Corporate service costs represented about \$0.02 per paid hour worked in B.C. in 2009 (\$0.02 in 2008)</p>
<p>Review Division, external appeals, and workers' and employers' adviser services — \$41 million or 2.7 percent of total costs in 2009</p>	<p>Goal # 2: Improve service to stakeholders</p> <ul style="list-style-type: none"> a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation <p>Goal # 3: Improve cost-effectiveness and accountability of the services we deliver</p>	<p>External service costs represented about \$0.01 per paid hour worked in B.C. in 2009 (\$0.01 in 2008)</p> <p>Workers and employers benefit from the advisory services provided by the Ministry of Labour and the appeal services offered by the Workers' Compensation Appeal Tribunal (WorkSafeBC funds both services). Workers and employers benefit from these agencies either directly or through the education, outreach, and dialogue they provide. The value of these services, therefore, extends well beyond the direct number of cases served to affect virtually all claims in the system. Costs associated with the external appeals and advisor systems were about \$104 per claim file handled by the workers' compensation system in 2009 (\$95 in 2008). Costs associated with the internal review process were about \$50 per claim file handled in 2009 (\$40 in 2008).</p>

Appendix B: Comparing Results with Other Jurisdictions

Each workers' compensation organization in Canada is subject to a distinct set of legal requirements, policies, and operating issues, so it's difficult to make direct comparisons between WorkSafeBC's performance and that of other jurisdictions.

To enable performance comparisons, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators. These indicators are compiled using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key objective/performance indicators used by WorkSafeBC; however, in some cases WorkSafeBC's performance can be approximately compared to that of other workers' compensation organizations. With the exception of key objective/performance indicator #9 (which uses 2009 numbers) all comparisons are made using 2008 data — the most current information available at the time of publication.

Key objective #1: Reduce the provincial injury rate⁶

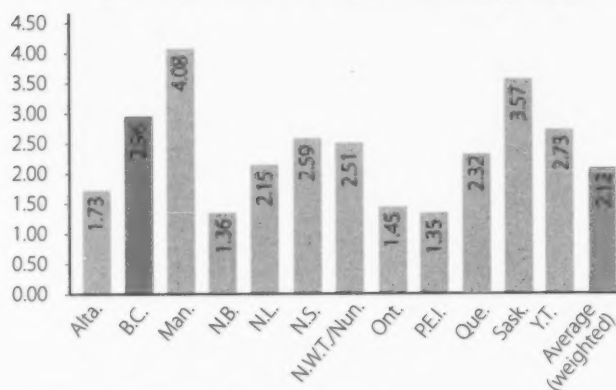
2009 target: 3.00 or less claims first accepted per 100 person-years of employment

2009 result: 2.37 claims first accepted per 100 person-years of employment (see page 27)

2010–2012 targets: 2.60 or less, 2.60 or less, 2.50 or less

Related comparison: The AWCBC publishes an annual, province-by-province comparison of injury frequency using a standardized calculation. However, injury frequency cannot be directly compared between provinces, because injury rates are influenced by the industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces, as published in January 2010 (based on 2008 source data).

Injury frequency
(per 100 workers of assessable employers)



Source: AWCBC Key Statistical Measures 2008,
www.awcbc.org/common/assets/ksms/2008ksms.pdf

Key objective #2: Reduce the average short-term claim duration

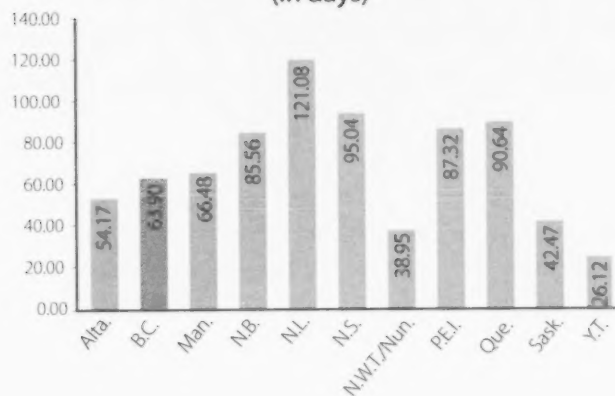
2009 target: 48.5 days

2009 result: 54.6 days (see page 30)

2010–2012 targets: 53 days or less, 50 days or less, 46 days or less

Related comparison: The AWCBC publishes an annual, province-by-province comparison of claim duration using a standardized calculation. The AWCBC's measurement of claim duration differs from the measurement used by WorkSafeBC. For example, the AWCBC measure includes wage-loss benefits paid to workers in vocational rehabilitation, while WorkSafeBC's indicator does not. As well, the AWCBC measure expresses claim duration using the number of calendar days, whereas WorkSafeBC's measure expresses duration using work days. In addition, the AWCBC measure is not directly comparable between jurisdictions, because each province experiences claims of a shorter or longer duration based on that province's particular mix of industries and economic factors. The following chart reflects the average composite claim duration in calendar days for Canadian provinces, as published in January 2010 (based on 2008 source data).

**Average composite duration of claims
(in days)**



Source: AWCBC Key Statistical Measures 2008,
www.awcbc.org/common/assets/ksms/2008ksms.pdf

(Data not available for Ontario. National average not available)

Key objective #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: No comparable data is available.

Key objective #4: Improve timeliness of initial short-term disability payments

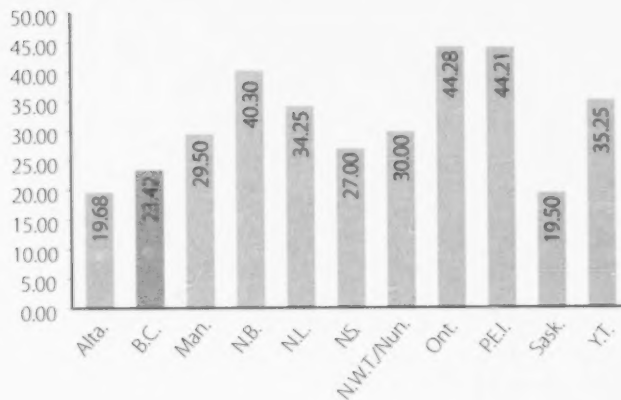
2009 target: 17.5 days

2009 result: 26.6 days (see page 33)

2010–2012 targets: 22.0 days, 17.0 days, 17.0 days

Related comparison: The AWCBC publishes an annual province-by-province comparison of the timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The chart below reflects the average number of calendar days starting from the date of injury to the date of first payment, as published in January 2010 (based on 2008 source data).

**Average calendar days from injury
to first payment issued**



Source: AWCBC Key Statistical Measures 2008,
www.awcbc.org/common/assets/ksms/2008ksms.pdf

(Data not available for Quebec. National average not available)

Key objective #5: Improve injured workers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #6: Improve employers' rating of overall experience

Related comparison: No comparable data is available.

Key objective #7: Raise public confidence

2009 target: 83 percent

2009 result: 86 percent (see page 37)

2010–2012 targets: 84 percent, 85 percent, 85 percent

Related comparison: To track public confidence, WorkSafeBC hires a third party to survey B.C. residents at least four times a year. Respondents are asked if WorkSafeBC makes a positive or negative contribution to the province. The major indicator of WorkSafeBC's success is the degree to which British Columbians think the organization makes a positive contribution to the province. As is the case with all surveys, sample size, respondent variation, and issues prevalent in the news media can influence the results of the WorkSafeBC survey.

No other workers' compensation system in Canada reports on its ability to raise public confidence, nor uses a similar indicator to determine its reputation with the communities it serves. Several provincial public and private organizations have conducted surveys similar to the one carried out on behalf of WorkSafeBC; however, these results are no longer available to the public. Nonetheless, similar survey results are in a range from a high of 95 percent to a low of 55 percent among participating groups.

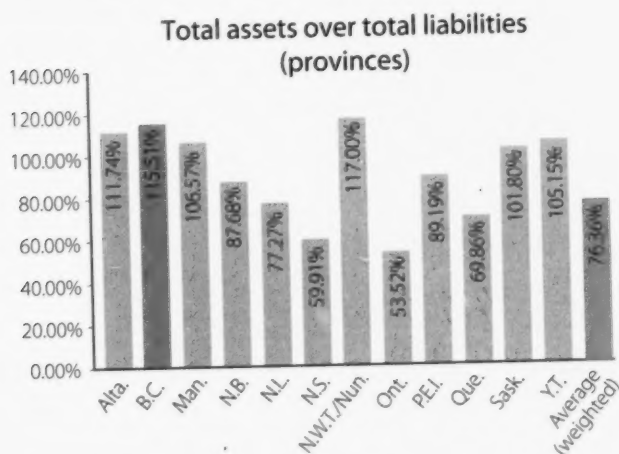
Key objective #8: Achieve 100 percent of the target asset level

2009 target: 88 percent

2009 result: 92 percent (see page 39)

2010–2012 targets: 90 percent, 90 percent, 90 percent

Related comparison: For the purposes of comparison with other provinces, the only other metric of funding adequacy that's available, and used by the AWCBC, is total assets divided by total liabilities. The following chart shows the average funding level of each provincial workers' compensation system, published in January 2010, stated in terms of its market value and based on year-end 2008 data.

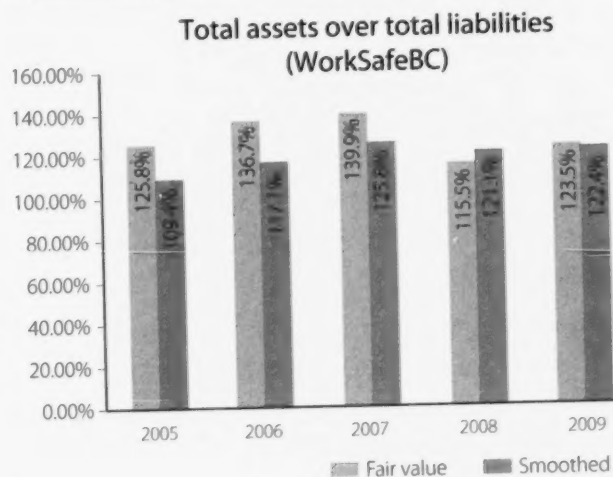


Source: AWCBC Key Statistical Measures 2008, www.awcbc.org/common/assets/ksms/2008ksms.pdf

The following chart shows WorkSafeBC's funding level using the smoothed investment accounting method (the method used by WorkSafeBC in rate setting — see Financial Context, page 12). WorkSafeBC's funding level using the fair market value investment accounting method is also shown for

comparative purposes. In comparing the two measures of funding sufficiency, 88 percent achievement against the target asset level equates to 115 percent asset coverage over liabilities, because WorkSafeBC aims to have more assets than liabilities, in the form of various reserves. (See Note 2(E) of the consolidated financial statements, page 73.)

As described in the Financial Context, smoothed investment accounting refers to an approach to workers' compensation accounting that was established in the early 1990s and adopted by all workers' compensation systems in Canada. This approach amortizes realized and unrealized investment gains and losses over a five-year period, diminishing the effect of market volatility on premium rates.



Key objective #9: Attain an aggregate premium rate between \$1.25 and \$2.25 per \$100 of assessable payroll

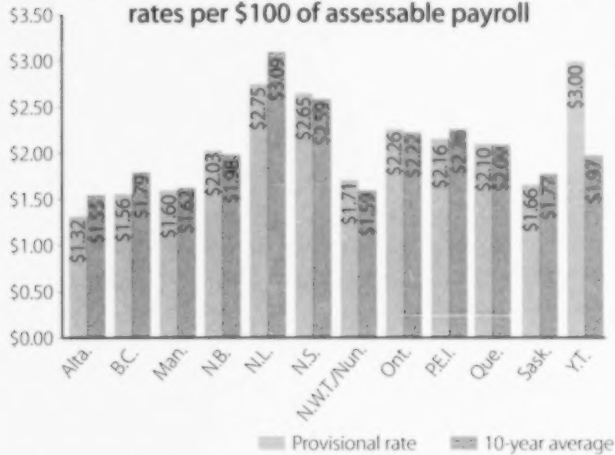
2009 target: \$1.52

2009 result: \$1.40 (see page 42)

2010–2012 targets: \$1.41, \$1.48, \$1.52

Related comparison: Each jurisdiction in Canada establishes its own assessment rates. The aggregate provisional rate reflects the weighted average premium for assessable employers within the scope of coverage for each province. The rates charged by other provinces reflect the unique mix of industries, injury rates, benefits, prevention activities, and funding needs, and are not directly comparable to B.C. The AWCBC data are calculated in a standard way and provide a general indicator of the range of employer costs for workers' compensation coverage.

Provisional and 10-year average assessment rates per \$100 of assessable payroll



Source: AWCBC statistics, www.awcbc.org/common/assets/assessment/avg_rates_history.pdf

This graph shows that B.C. rates, in comparison with those in other provinces, are competitive and have been stable.

Key objective #10: Control administration costs (per \$100 of assessable payroll)

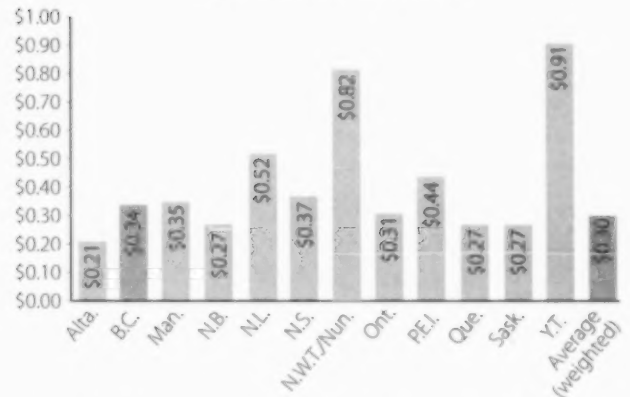
2009 target: \$0.34

2009 result: \$0.36 (see page 43)

2010–2012 targets: \$0.36, \$0.36, \$0.36

Related comparison: The AWCBC calculates administration costs per \$100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per \$100 of assessable employer payroll for each provincial jurisdiction as published in January 2010 (based on year-end 2008 data).

Administration costs per \$100 of assessable payroll



Source: AWCBC Key Statistical Measures 2008, www.awcbc.org/common/assets/ksms/2008indicatorratios.pdf

Key objective #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: No comparable data is available.

Appendix C: Operating Environment

WorkSafeBC operates in a complex and changing environment. Both local events and global trends — including the rise and fall of equity markets, the cyclical economy, and labour market expansion and contraction — influence operations.

In addition, with the passing of time, workers and workers' compensation insurers are exposed to an increasing number of identified risks. In response, WorkSafeBC must remain vigilant in defining these risks and designing strategies to mitigate them.

WorkSafeBC's Board of Directors and Senior Executive Committee are committed to risk management practices that provide continual environmental scanning and rigorous business continuity planning. The Senior Executive Committee annually assesses the risks facing the organization and prioritizes the residual risk (after mitigation measures are taken into account) in terms of the likelihood of the risk occurring and the magnitude of the impact. The key financial risks are listed in the Management Discussion and Analysis, page 50.

The following section highlights some of the major risk factors WorkSafeBC faced in 2009, and the uncertainties the organization will face over the next three years.

External factors

The economy and labour force

In 2009, the global economic crisis that began in 2008 adversely affected many organizations, including WorkSafeBC.

The dramatic fluctuations in the value of equities and the Canadian dollar continued, before we saw moderation and a gradual improvement in the economy in the latter half of 2009. While these factors improved WorkSafeBC's funding level, they did not result in a full recovery to pre-recession highs.

The relatively high Canadian dollar and the lagging U.S. housing market contributed to an extended recession in forest products, manufacturing, and mineral products. While low interest rates helped the housing market recover to some degree, and credit markets have loosened somewhat, construction employment remains low, and high unemployment levels persist in many regions.

In 2009, B.C.'s economy slowed significantly, and businesses reacted with layoffs and decreased activity. Payrolls fell in many sectors and, despite infrastructure spending by both provincial and federal governments, employment has not yet returned to pre-recession levels. The drop in assessable payrolls and a decline in high-risk industries (carrying higher premiums) resulted in a relative decline in WorkSafeBC's premium revenue. In addition, fewer workers were injured and the injury rates in most industry sectors dropped, but the average duration of claims (time off work) increased, and demand for WorkSafeBC's services remained high.

Research and past experience indicate that injury rates rise in a growing economy. As more workers are employed — even with a relatively steady injury rate, a low rate of employment growth, and a consistent mix of industry — more workers are expected to incur injuries. On the other hand, when employment growth is flat, claim duration tends to increase. Moreover, during times of economic restraint, employee training, equipment maintenance, and investments in safety or safer technology often decline.

According to Statistics Canada, B.C.'s unemployment rate rose to 8.3 percent in November 2009. Over the entire year, however, total employment declined 1.7 percent. There was also a shift in the nature of work, with full-time employment declining by 4.1 percent and part-time employment rising by 7.1 percent. Taken together, these data suggest a lower number of workers were exposed to work-related risks that could give rise to claims, which likely explains part of the decline in injuries first reported.

In the workforce, the mix of industry, age, and gender significantly influences the rate of injury. If injury rates in sectors with higher-than-average injury rates remain constant, more employment in those industries could translate into more injuries, and therefore greater human and financial costs. And, while the increased income from premiums offsets the financial costs for the compensation system, nothing can make up for the human toll of injuries to workers and their families.

In 2009, unemployment rose so injured workers and people with disabilities had fewer opportunities to return to work. The lower rate of employment contributed to longer claim duration and increased expenditures in vocational rehabilitation.

Despite declining labour demand in construction and manufacturing, B.C. businesses in some sectors still experienced a shortage of workers. When the domestic supply fails to meet the demand for labour or for specialized skills, immigration

increases, and employers are more likely to hire foreign workers. In 2009, the number of temporary foreign workers in B.C. continued to climb in industries such as agriculture, sports and recreation, hospitality, and health care.

Nonetheless, employment in B.C. is likely to recover in 2010 at a rate above the national average, according to the Conference Board of Canada (Autumn 2009 Provincial Outlook). Currently, housing starts are projected to rise by more than 50 percent (CMHC Preliminary Housing Data, January 2010). In late 2009, building permits for both residential and non-residential construction rose to levels suggesting a recovery in employment in the construction sectors (Statistics Canada, Building Permits, December 2009). Traditionally, these are sectors with relatively high injury rates. Projections by Canada's largest banks and the country's largest credit union place B.C. at or near the top of the list for growth in real gross domestic product. These forecasts, if realized, will result in upward pressure on injury rates and volumes.

Market volatility

Most workers' compensation claims are for short-duration wage loss. However, each year, a small portion of claims come from workers who have been seriously injured and will require financial assistance and medical care for a longer period of time — sometimes for the rest of their lives. These claims create a long-term funding liability for workers' compensation systems.

To provide lifelong care to these workers and fund their claims beyond the year of their injuries, WorkSafeBC invests a portion of its employer premiums and must manage the value of these assets to match the liability of all active claims. When the market is volatile, it can affect the value of the funds invested by the workers' compensation system, creating a gap between assets and liabilities. In the short term, fluctuations in market values create imbalances that can be managed without jeopardizing the system's sustainability. Prolonged periods of loss, however, can affect the system's capacity to generate the returns needed to meet long-term financial commitments. See Financial Context (page 12) for a summary of WorkSafeBC's investment strategy and performance in 2009.

In 2009, global financial markets continued to be volatile, but the year-over-year trend showed an increase in overall value. An analysis of past economic recessions and recoveries shows that market volatility is greatest as the economy slips into recession and then emerges out of it. In 2009, Canada's economy moved

out of recession and made modest gains from the depths of the recession reached in the first quarter of the year. For the purposes of the 2010 to 2012 projections, WorkSafeBC's investment assumptions — made late in 2009 — reflect conservative estimates of gains over that term.

WorkSafeBC's Board of Directors and Senior Executive Committee closely monitor economic activity and the overall health of the workers' compensation system. This allows WorkSafeBC to respond to changing conditions. In 2009, the Board of Directors adopted a revised investment policy with reduced allocation to publicly traded equities.³⁰ This change lowers the potential risk of the investment portfolio in volatile markets. In order to lessen the potentially negative effects of short-term market volatility on compensation entitlements or critical prevention programs, the organization bases its decision making on its long-term goals for stability and sustainability.

Injury rate and severity

If fewer workers are employed, fewer workers should be injured on the job, which was the case in 2009. This was a welcome development. Of greater importance, however, is the rate of injury and the severity of the injuries that occur.

In 2009, the provincial injury rate fell to its lowest point ever. While results are not yet in for these particular sectors, it looks like the primary resources, manufacturing, construction, transportation and warehousing, trade, and service sectors will see lower rates in 2009 compared to 2008, while the public sector, will see no change.

While every injury is serious, some are life-altering or life-threatening. In 2009, the serious injury rate (introduced in last year's annual report and service plan) has declined.³¹

WorkSafeBC's investigations confirm that the number of incidents and injuries can be reduced through greater compliance with safe work procedures and attention to the human factors that contribute to higher injury rates, such as fatigue. Thus, in 2010 and beyond, WorkSafeBC will continue to reinforce its compliance mandate through enforcement, education, and consultation.

As well, generally, the more severe an occupational injury, the more time a worker spends away from work. Long absences can contribute to the permanent disability rate. In an effort to limit the onset of long-term disabilities, WorkSafeBC will continue to focus on workers' early and safe return to work through its case management and vocational rehabilitation programs.

Occupational and environmental disease

In recent years, the organization has witnessed a significant increase in fatality claims from workers' exposure to disease-causing agents, particularly asbestos. This growing trend can be partly attributed to increased public awareness, improved detection, and increased reporting of occupational disease. At the same time, the incidence of newly emerging and expanding occupational diseases could significantly affect the cost and volume of claims, as well as adding to WorkSafeBC's adjudicative and administrative challenges.

An increasing number of workers have become debilitated through previous exposure to asbestos. And research indicates the incidence of disease associated with work-related asbestos exposure is under-reported, or is attributed to causes other than work. Research also points to a work-related source for many other cancers. As with many long-latency diseases, until a connection between work and a particular disease is clearly established, adjudicating and accepting such claims remains a difficult, case-by-case consideration.

Both research literature and other workers' compensation jurisdictions have raised concerns about other occupational respiratory diseases, such as occupationally induced or aggravated asthma, multiple chemical sensitivities, and infectious diseases, such as tuberculosis. Also, new substances being used in workplaces, such as nanoscale particles, may adversely affect workers' health in the long term.

Ongoing research will likely confirm that many other work and environmental agents contribute to disease, and this research will mitigate the risks of exposure in the workplace. As private disability plans and public health care systems continue to experience financial pressures, and as WorkSafeBC receives increasing claims for occupational disease, the need to identify the origins of disease will attain greater urgency. Where possible, WorkSafeBC will endeavour to inform workers and employers of the risk of work-related disease.

The emergence or recognition of an occupational disease has important implications for both WorkSafeBC's insurance and prevention mandates. It requires the organization to develop prevention strategies to protect workers and educate employers, to consider imposing standards or practices within the industry in question, and to collect and allocate funds to compensate diseased workers and their families.

Capacity and access within the health care system

The proliferation of surgical wait times in the health care system increases the human, societal, and financial costs of work-related injuries. Although WorkSafeBC prefers to use the public health care system whenever possible, where necessary it accelerates workers' access to health care through private health care facilities.

WorkSafeBC is collaborating with the University of British Columbia's Centre for Health Services and Policy Research to determine if WorkSafeBC's expenditures to expedited access to specialists and surgery are effective. The study examined the benefits of shortened wait times for knee-surgery patients, and the recovery to return-to-work times for surgeries in public hospitals (regular and expedited services) and private surgery suites (expedited services). The results, completed in 2009, show expedited services did reduce the surgical wait times. Time from surgery to return to work was not influenced by whether the surgical setting was private or public.

More information on this research is available at www.chspr.ubc.ca/research/worksafebc/musculoskeletal.

Internal factors

Alignment and staffing

WorkSafeBC operates a number of divisions that provide front-line service to workers, employers, and health care providers. And, when needed, the organization adjusts staffing levels and reassigns employees to meet operational requirements. For example, in 2009, to support the transition to the new claims management system (see next page), WorkSafeBC reassigned operations staff members and added temporary resources.

In 2009, WorkSafeBC decreased its staff by 113 FTEs (full-time equivalents) over its 2008 levels. Of the 2,787 employees (2,689 FTEs) who worked for WorkSafeBC, 2,657 (2,609 FTEs) worked full-time, 91 (58 FTEs) worked part-time, and 39 (22 FTEs) were involved in job-sharing arrangements.

The management of complex cases

WorkSafeBC has long been concerned about the most seriously injured workers — those with complex physical and psychological injuries.

In 2006, the President asked senior board medical and psychological staff members and operational officers to review the organization's internal procedures, and requested recommendations for improving services to workers with severe injuries and complex claims. The review, completed in April 2006, included recommendations designed to improve staff members skills and knowledge and provided direction for handling these cases in the future.

The President accepted the recommendations, and in 2008/2009, WorkSafeBC created Special Care Services, a new department to work with the most sensitive cases. The department supports clients who are vulnerable and have experienced severe injuries, while building a culture of caring and compassion. Special Care Services relies on the expertise of social workers, psychiatrists, psychologists, physicians, and community services to address the unique needs of these workers.

Claims Management Solutions (CMS)

Any large-scale replacement of systems results in dramatically increased demands on staff members: organization-wide training, diversion of subject-matter experts, and the integration of data — both before and after conversion. The new claims management system was no exception.

To begin with, in the four months leading up to implementation in 2009, many staff members were diverted from normal duties to attend training programs.

Then came transition. In planning for the May 11, 2009, transition to the new system, WorkSafeBC anticipated challenges both in terms of staffing and service levels. In fact, those challenges were greater than anticipated. So WorkSafeBC implemented a plan to serve injured workers who needed it most. To support this goal, the organization reassigned staff members from many operational divisions to deal with cases that were either backlogged or had not been processed effectively because of delayed payment or decisions.

Within six weeks, the majority of the team had returned to their normal duties.

As the year progressed, WorkSafeBC adjusted staffing levels to meet operational demands, and offered additional training and alternative work practices until the system could be improved. Then, WorkSafeBC introduced program revisions to the new

system and adjusted business rules to ameliorate many of the high-priority issues. By year-end, productivity levels in most claim areas had returned to pre-implementation levels.

An update of the claims management system's code was released on February 6, 2010, to further improve the system. Additional improvements are planned for the summer and fall of 2010.

The new system is expected to improve the quality and consistency of decisions, and introduce efficiencies that have reduced and will reduce staffing levels by a total of 180 positions.

For more information, see The impact of CMS on performance indicators, page 24; key objective/performance indicator #10, page 43; and the Management Discussion and Analysis, page 50.

Information technology and systems

WorkSafeBC relies on information technology — of which the new claims management system is a part — to successfully fulfill its mandate. The security of personal records, the reliability of data, and the robustness of high-tech systems are essential to its operations. The failure of the security system or a breakdown in technology poses a significant risk to WorkSafeBC and its stakeholders.

WorkSafeBC continues to invest in technology that will support more efficient claim management and contribute to more timely research. These research initiatives will, in turn, help the organization to detect trends and improve the focus and effectiveness of its prevention activities.

WorkSafeBC's Board of Directors committed significant capital to create the new claims management system, which launched in May 2009. The total cost of the system was \$87 million compared to a budget of \$72 million. Complexities uncovered during the design caused a significant increase in the development and testing efforts. Of the \$87 million spent, \$11.8 million was for external software and related costs, while the remainder was a reallocation of project expenditures (employees and consultants), most of which would have otherwise been spent on legacy system maintenance or upgrades. The average annual information technology expenditure, including the cost of building the new system over five years, was \$27 million, compared to an average \$20 million per year during the previous 10 years. The actual incremental spending during that period was approximately \$35 million.

Prior to implementation, the projected financial benefits of the new claims management system included annual savings in the range of \$30 million–\$34 million, as well as an average annual actuarial adjustment of \$6.3 million. The challenges that developed during the initial phase of its implementation moderated the timing of some of the initial expected savings and will potentially extend the payback period for the system beyond the anticipated three years described in the business case. An independent consultant continues to advise the Board of Directors that the benefits from the new claims management system remain positive, reasonable, and achievable.

Risk management, business continuity, and succession planning

WorkSafeBC's strategic framework requires annual reviews to assess the risks facing the organization.

In 2009, WorkSafeBC considered the transition to the new claims management system our greatest internal risk; however, we made efforts to mitigate this risk by being prepared for implementation through extensive training and other initiatives. During the initial stages of implementation, the economic recession provided an unexpected reduction in claim volume, which offset some of the previously identified risks associated with this major change. The magnitude and duration of the recession were greater than anticipated, but the recovery in financial markets that began in the second quarter negated the need for further transfers from reserves. Subsequent gains have consolidated forecasts for continued recovery, lessening the risk to the financial health of the system.

WorkSafeBC anticipated the possibility of the pandemic H1N1 influenza threat to its operations and stakeholders. To prepare for any infectious disease outbreaks, WorkSafeBC, like every employer, has a duty to assess the risks and implement strategies to protect its workers. As a regulatory and prevention agency, WorkSafeBC also has a responsibility to inform workers and employers of their duties, rights, and obligations in the face of such threats.

Other WorkSafeBC contingency planning initiatives include the documentation of systems, back-up training, and succession planning, consisting of an analysis of retirement patterns and the identification of jobs that are vulnerable because they rely on the specialized knowledge or skill of one individual. WorkSafeBC is also reviewing its recruitment, retention, and

post-retirement rehiring practices to address acute skill shortages for vacation coverage and other transitional contingencies.

Privacy and fraud safeguards

Fraud — internal and external — as well as illegal or unauthorized activities, pose significant risks to any insurance-based enterprise. As guardians of sensitive information, the officers of WorkSafeBC also hold an important position of trust with their stakeholders.

To safeguard internal systems, WorkSafeBC has created audit trails and security mechanisms to guard against the inadvertent or intentional release of information. As well, staff members are made aware of their responsibilities and reminded annually of their required compliance with standards of conduct.

As part of WorkSafeBC's commitment to a fair and honest worker protection plan, employers are required to fully disclose payroll and injury information. Each employer is required to register with WorkSafeBC, accurately report payroll accounts, pay workers' compensation premiums, and ensure that all work-related injuries and serious incidents are reported in a timely manner.

Workers have specific obligations as well: reporting injuries; refraining from engaging in unsafe work practices; and, if injured, engaging in rehabilitation and the return-to-work process when it's safe to do so. WorkSafeBC has audit and investigation processes in place to ensure that all parties are participating effectively in the system.

To help meet the threat of fraud and abuse, in 2009, WorkSafeBC commissioned an assessment to compare its fraud prevention strategy with that of similar organizations, and then incorporated the resulting recommendations into WorkSafeBC's fraud prevention plan and fraud-risk-assessment process. That same year, WorkSafeBC began developing a communication strategy and education initiative designed to increase fraud awareness and further improve fraud detection internally and externally. The fraud prevention plan is overseen jointly by directors from Investigations, Financial Operations, Internal Audit, and Human Resources.

Teleclaim

In 2007, WorkSafeBC completed the province-wide implementation of Teleclaim, a service centre that injured workers can call to report injuries and receive personal assistance from trained staff members to help them with their recovery and return to work.

Teleclaim now handles approximately 59 percent of all new time-loss claims. The service is designed to meet the service priorities workers previously identified through WorkSafeBC's Voice of the Customer program, and to streamline injury reporting, disability management services, and the processing of wage-loss payments. The service is also designed to facilitate earlier return-to-work planning. Teleclaim also offers real-time interpretation services in more than 170 languages. A detailed list of the interpretation services is featured in *WorkSafeBC Statistics 2009*, and will be available at WorkSafeBC.com at the end of April.

Voice of the Customer

In 2010, WorkSafeBC wants to become known for its outstanding customer service. To do that, WorkSafeBC must better understand the needs of its customers. WorkSafeBC has an established partnership with the market research company Synovate to provide the Voice of the Customer (VOC) program — a stakeholder feedback strategy designed to identify the areas of service considered most important to workers and employers. Through surveys and focus groups, the VOC program allows WorkSafeBC to measure the critical human interactions that drive stakeholders' perceptions of the organization. As a result, WorkSafeBC is better able to tailor its business decisions to address the needs of workers and employers and improve service across all areas of the organization. More information on the VOC program can be found in *WorkSafeBC Statistics 2009*, which will be available at WorkSafeBC.com at the end of April.

Senior Executive

David Anderson

President and Chief Executive Officer

Steve Barnett

Chief Financial Officer

Ed Bates

General Counsel

Pam Cohen

Vice-President, Human Resources and Facilities Division

Roberta Ellis

Vice-President, Policy, Investigations, and Review

Brian Erickson

Corporate Controller

Kevin La Freniere

Executive Director, Business Transformation and Integration

Diana Miles

Vice-President, Worker and Employer Services Division

Ian Munroe

Executive Director, Worker and Employer Services, Operations

Anne Naser

Chief Information Officer

Betty Pirs

Executive Director, Worker and Employer Services, Prevention

Online viewing

For an electronic copy of this report, visit our web site at WorkSafeBC.com.

Feedback

To comment on WorkSafeBC's *2009 Annual Report and 2010-2012 Service Plan*, contact Scott McCloy, Director of Communications, at 604 276-3113 or scott.mccloy@worksafebc.com.

Workplace health and safety is everyone's responsibility

All workers are entitled to safe and healthy work environments where hazards are minimized and controlled. The key to maintaining a safe and healthy workplace lies in joint action that involves everyone — employers, workers, supervisors, and other stakeholders — working together to fulfill their responsibilities and mitigate the risk of injury, illness, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace.
- Ensure that workers are adequately trained. Keep written records of training.
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure.
- Support supervisors, safety coordinators, and workers in their health and safety activities.
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation.
- Initiate an immediate investigation into incidents, and immediately report serious incidents to WorkSafeBC.
- Provide adequate first aid facilities and services.
- Provide personal protective equipment as required.

Supervisor responsibilities

- Instruct workers in safe work procedures.
- Train workers for all tasks assigned to them, and check that their work is being done safely.
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals.
- Ensure that equipment and materials are properly handled, stored, and maintained.
- Enforce health and safety requirements, and correct unsafe acts and conditions.
- Identify workers with problems that could affect safety at the worksite. Follow up with interviews and referrals where necessary.
- Develop appropriate health and safety rules and inspect the workplace for hazards.

Worker responsibilities

- Know and follow health and safety requirements affecting your job.
 - Use all personal protective equipment when and where required.
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin.
- Always work safely and encourage your co-workers to do the same.
 - Immediately correct unsafe conditions or report them right away to your employer.
 - Immediately report any injury to a first aid attendant or supervisor.
 - If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work.

Worker Rights

- Know about workplace hazards.
- Participate in workplace health and safety activities.
- Refuse unsafe work.

For more information

If you have questions about workplace health and safety issues, call the Prevention Line at 604 276-3100 or toll-free within B.C. at 1 888 621-SAFE (7233), or visit WorkSafeBC.com and follow the link to Safety at Work, where you'll find resources that can be downloaded free of charge. You can also purchase safety publications and DVDs at www.worksafebcstore.com.

Endnotes

1. The Accident Fund is the fund provided for the payment of compensation, outlays, and expenses referred to in Section 36 of the *Workers Compensation Act*. It is made up of the portfolio investments and other assets of WorkSafeBC.
2. In 2009, during the implementation of the new claims management system, some metrics were not readily available; however, all reporting and monitoring activity has now returned to its usual levels.
3. While the information contained in this annual report reflects the organization's actual performance for the period of January 1, 2009, through December 31, 2009, all material fiscal assumptions and policy decisions made up to March 18, 2010, have been considered in the development of this publication.
4. While WorkSafeBC changed key objective/performance indicator #8 during 2008, the other 10 key objective/performance indicators in this report have been used as a group since 2003. Most of the organization's key objective/performance measures have been used for much longer and can be found in WorkSafeBC annual reports going back 10 years or more.
5. Employment in B.C. is distributed across many industrial sectors, each with its own injury rate and premium cost structure. The proportion of the employed workforce and associated economic activity produced in these sectors — the mix of industry — rarely remains constant over time. As the proportion of economic activity shifts among these industries, it may change the kinds of services WorkSafeBC delivers and the results achieved by those services.
6. The provincial injury rate is calculated in accordance with the Association of Workers' Compensation Boards of Canada definition (see Appendix B, page 100). Wage-loss injuries, fatality claims (cases involving funeral expenses and/or survivor benefits), and long-term disability claims that occurred in 2009 and were first paid that year (or within the first quarter of 2010) are counted and expressed as a ratio to 100 person-years of employment. Historically, a factor was applied to claims already paid (to the end of January) to estimate the total claims to be first paid within the first quarter of the following year. However, for the 2009 injury rate, the estimate was calculated based on the count of claims already paid, claims in the first payment process, and claims that were in adjudication. The injury rate calculated under the old method would have been 2.31 (an insignificant variance from the 2.37 being reported). A person-year is the equivalent of 52 paid weeks of employment, whether worked by one individual or several. Estimates for person-years are based on gross payrolls submitted by employers, and on matching wage-rate data. Injuries arising from, and employment related to, deposit-class employers are excluded from this calculation.
7. A reduction in the injury rate of just 1.0 percent (from 2.37 to 2.35, for example) translates to approximately 480 fewer workers who suffer wage-loss injuries, around \$7 million less in claim costs, and 25,000 productive work days gained by the economy.
8. If employment in a sector that has a relatively high injury rate, such as construction, grows, while employment in a lower-risk sector, such as retail, declines, the provincial injury rate could still increase, even if the injury rate remains the same or drops in both sectors.
9. These 2009 injury rate estimates are preliminary, as of January 2010. They are based on available claim and employment information, and are subject to estimation error and change. They take into consideration the employment estimates from the Statistics Canada Labour Force Survey and the Statistics Canada Survey. The 2009 injury rates will be available in July 2010.
10. This decrease of 0.59 (20 percent) is statistically significant at a 95 percent confidence level and represents the lowest injury rate on record in B.C.
11. Employers are assigned to classification units based on their main industrial activity. Industrial activities are organized into three levels: sectors, subsectors, and classification units. The classification structure comprises seven sectors, 24 subsectors, and 619 classification units.
12. To compute short-term disability (STD) duration for a given year, five components are calculated and added together, including: first, the number of days paid in the year for STD injuries that occurred in the year divided by the number of STD injuries that occurred in the year; and, second, the number of days paid in the year for STD injuries that occurred in the previous year divided by the number of STD injuries that occurred in the previous year. The third, fourth, and fifth components are computed analogously. An adjustment is made to the sum of the five components with respect to the days paid in the year for injuries that occurred more than four years earlier. The calculation includes the days arising from short-term disability payments and excludes the days arising from rehabilitation payments.
13. The 26.6 day timeliness statistic represents 76.7 percent of injured workers who receive payments directly from WorkSafeBC (timeliness of 34.8 days) and 23.3 percent of injured workers who continue to be paid by their employers ("experienced" timeliness of 0 days).
14. The sample is structured to represent a cross-section of all cases handled at major points in the adjudication and case management of a claim. The sample includes a representative number of disallowed claims. In past years, the proportion of disallowed claims was based on the net disallow rate at year-end. To avoid delays in determining the final disallow percentage at year-end, beginning with this year's report, the disallow rate from the previous year will be used. A 10-year history of disallow rates appears on page 95.
15. WorkSafeBC determines the target level of the Capital Adequacy Reserve using an approach comparable to the one prescribed for private insurers by the federal Office of the Superintendent of Financial Institutions (OSFI). The OSFI approach determines the minimum capital requirement by considering the insurer's risk profile. OSFI requires private insurers to maintain levels of at least 150 percent of the minimum capital requirement. By resolution, WorkSafeBC's Board of Directors has set a target capital requirement of 160 percent of the minimum capital requirement level, using the OSFI methodology.
16. Example: In 2009, actual assets were \$11,970 million, which represents 124 percent of the current liabilities of \$9,688 million, but 92 percent of the current target asset level of \$12,960 million.
17. Changes to accounting standards may affect this measure in the future (see the IFRS discussion on page 63).
18. Under the *Workers Compensation Act*, short-term disability, long-term disability, and survivor benefits are indexed against the annual increase in the consumer price index (CPI), as measured by the year-over-year CPI at October each year. These benefits are indexed to inflation at CPI growth minus 1.0 percent, with a maximum of 4.0 percent and a minimum of zero. No inflation adjustment was applied to benefit rates for 2009 because CPI growth was 0.1 percent (0.1 percent minus 1.0 percent is negative 0.9 percent, and so, the indexation is capped at zero).
19. This measure reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured

employers in British Columbia. The actual premium charged to an individual firm varies depending on its insurance rate group and experience rating. The aggregate premium rate shown here differs from the average base rate published each year at the time premium rates are established for the upcoming assessment year. The published base rate is a composite of all the individual industry base rates. It is published in the WorkSafeBC rate and classification list and averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate because it reflects the actual, rather than projected, payroll mix by industry. Furthermore, the aggregate premium rate also differs from the base rate owing to imbalances arising from the experience rating plan and the reduction of the pre-2000 surpluses and interest credited to employers. This aggregate premium rate can be viewed as a collection rate: it reflects the actual premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.

20. Since WorkSafeBC's premiums are collected in arrears, the actual funds collected and the corresponding payrolls for a given year cannot be determined until well into the following year. Therefore, the aggregate rate shown for 2008 and previous years reflects the final collected rate. The rate shown for 2009 and future years is estimated based on the anticipated mix of industries, assessable payrolls, known adjustments, and anticipated impacts of various strategies and initiatives.
21. WorkSafeBC's administration costs for key objective/performance indicator #10 are defined by the Association of Workers' Compensation Boards of Canada (AWCBC). In accordance with AWCBC's calculation method, WorkSafeBC does not include administration costs associated with prevention, treasury/investments, legal and recoveries, third-party recoveries, grants and awards, reviews and appeals, workers' and employers' advisors, sessional physicians, external medical service providers, and costs related to employers who are self-insured. Among these items, the highest cost comes with prevention initiatives, which, in 2009, was \$0.10 per \$100 of assessable payroll.
22. This \$1.56 average base assessment rate for 2009 is the rate that was published at the time the assessment rates were set in 2008. This compares to the current estimate of the aggregate 2009 rate of \$1.40. The difference is primarily due to a sharp decline in high-risk industrial activities in 2009 (such as construction and forestry), a factor that is reflected in the \$1.40 rate, but not in the published \$1.56 rate. In addition, the \$1.40 rate also incorporates the revenue reduction arising from the imbalance in the experience rating program, an element not reflected in the published rate. See endnote 19 for an explanation of the difference between the base rate and the aggregate rate.
23. The Capital Adequacy Reserve was originally called the Investment Fluctuation Reserve when it was created in 2005.
24. Self-insured employers are sometimes referred to as deposit-account employers. These employers do not pay premiums based on assessable payroll; rather, they are required to pay WorkSafeBC the cost of all compensation benefits distributed to their workers, plus a share of the administration costs. They are required to maintain a deposit balance in their accounts from which amounts for claim costs and administration are drawn monthly. These employers include the provincial government, federal government, Air Canada, and certain railway companies.
25. Total claim costs and the changes in benefit liabilities have both been on a downward trend from 2001 to 2008 (although these costs have not decreased every consecutive year). Excluding non-recurring items, total claim costs fell from \$1,649 million in 2001 to \$1,364 million in 2008; and changes in benefit liabilities reduced from \$562 million in 2001 to \$109 million in 2008.
26. Effective April 1, 2009, the investment portfolio asset allocation mix was revised from 45 percent fixed income (allowable range 35–55 percent), 45 percent equity (allowable range 30–55 percent), and 10 percent real estate (allowable range 5–15 percent) to 33 percent fixed income (allowable range 20–60 percent), 39 percent equity (allowable range 20–60 percent), and 28 percent inflation sensitive (allowable range 15–40 percent).
27. WorkSafeBC's portfolio investments have all been designated as available-for-sale, except for derivative financial instruments, which have been designated as held-for-trading. For more information see Note 2(B) of the consolidated financial statements, page 72.
28. The investment return of 8.7 percent is based on the market value of the investment portfolio at December 31, 2009, and is the market return reported by WorkSafeBC's portfolio manager, bcIMC, in its year-end report. This rate of return is different from the investment results that would be calculated from the consolidated financial statements (see page 66), where certain investments are based on consolidated values and recorded at cost.
29. WorkSafeBC's investment goal is to produce a long-term average real return over and above the inflation rate (as measured by the annual increase in the consumer price index (CPI), equal to the discount rate used to calculate benefit liabilities. The minimum required return for 2009 was based on CPI growth plus 3.0 percent, prorated by the ratio of total liabilities over total assets, using beginning of the year values.
30. The audits are performed in accordance with Section 5970 of the *Canadian Institute of Chartered Accountants' (CICA) Handbook*.
31. A workplace injury is always serious — for the worker who has been hurt, as well for the worker's family and employer. But there are situations in which a worker needs to be away from work for more than 28 days, requires extensive hospitalization or treatment, or has suffered a head injury, fracture, or amputation. These life-altering incidents — along with fatalities — are reflected in WorkSafeBC's serious injury rate.

